ALIA SERVIZI AMBIENTALI SpA

2023

CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE OFFICES

Board of Directors [1]
Chairman Lorenzo Perra
Vice Chairman Nicola Ciolini
Chief Executive Officer Alberto Irace
Director Francesca Calamai
Director Francesca Panchetti
Director Filippo Sani
Director Marco Baldassarri
Director Libero Mannucci
Director Manuela Grassi
Director Edoardo Franceschi

Board of Statutory Auditors [2]
Chairman Sauro Settesoldi
Standing Auditor Cristina Pantera
Standing Auditor Massimo Armellini
Alternate Auditor Enrico Terzani
Alternate Auditor Simona De Ria

Financial Reporting Manager
Demetrio Mauro

Independent Auditors
PricewaterhouseCoopers S.p.A.[3]

[1] Appointed by the Shareholders' Meeting on 16 June 2023 for 2023-2024-2025
[2] Appointed by the Shareholders' Meeting on 16 June 2023 for 2023-2024-2025
[3] Appointed by the Shareholders' Meeting on 16 February 2017 for 2017-2025

2. CALL NOTICE FOR THE ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called to an ordinary Shareholders' Meeting to be held at the registered office of ESTRA S.p.A. in Prato, Via Ugo Panziera 16, on Tuesday, 21 May 2024, at 10:00 am for the first call and, if necessary, on Wednesday, 22 May 2024 at 8:00 am (in the same location) and in any case also through audio/video conference as envisaged in article 106 of Italian Decree Law 18 of 17 March 2020 and article 15 of the Articles of Association, to discuss and resolve on the following

Agenda:

1) The Company's Annual Financial Statements at 31 December 2023, the Board of Directors' Management Report, Board of Statutory Auditors' Report and Independent Auditors' Report.
2) Presentation of the Company's Consolidated Financial Statements at 31 December 2023.
3) Presentation of the Consolidated Non-Financial Statement at 31 December 2023, prepared pursuant to Italian Legislative Decree 254/2016.
4) Related and consequent resolutions.

Alia Servizi Ambientali S.p.A.

Registered office in Florence, Via Baccio da Montelupo no. 52

Share Capital € 360,556,971 Fully paid in

Tax ID no. 04855090488

Registered with the Florence Business Register no. 04855090488

Florence Economic and Administrative Index no. 491894

3. MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

Introduction

For the Group, the year ended on 31 December 2023 represented a significant step with respect to the corporate profit and its operations, which included i) the achievement of significant milestones in creating the Tuscan Multiutility, including the completion of the merger with Consiag, Publiservizi and Acqua Toscana and obtaining control over the Estra Group, ii) the continued push to digitalise the Group, iii) consolidating the transformation of environmental services and activation of the tariff fee in the initial participating Municipalities, and iii) continuing works associated with plant initiatives.
In terms of environmental services, Alia Servizi Ambientali S.p.A. (hereafter also "Alia" or the "parent company") has adopted an industrial vision focussed on developing waste collection and supported by significant investments in systems to increase the responsibility of users, making collection more automated and establishing stable industrial recycling chains. The business strategy includes building recycling chains through first-level entrepreneurial partnerships which make it possible to go beyond a simple commercial scheme that places waste with outside industrial operators, which has not been able to guarantee certainty of waste placement over the years.
The main activities that characterise the year were implemented in line with the development drivers identified in the Business Plan:

- efficiency in the collection system to maximise quality and quantity in separate waste collection;
- maximising processing capacity for the residual portion, minimising the amounts disposed of as waste;
- downstream integration of recovery and disposal, maximising sales of energy and materials recovered;
- introducing the tariff fee;
- transversal digitalisation processes, from the collection to the post-collection stages, including important contact with end users.

Recall that starting from 2017, after the issue of the bond listed on the financial markets, the parent company was classified as a public interest entity (PIE) pursuant to article 16 of Italian Legislative Decree 39/2010 as amended, subject to complying with the reference regulations applicable to this new classification. With reference to accounting, the parent company adopted the international financial reporting standards (IFRS) starting with the financial statements as at 31 December 2017.

The financial amounts shown and commented on in the following pages were prepared on the basis of the consolidated financial statements at 31 December 2023 to which the reader is referred in that, in line with current regulations, it was held more appropriate to prepare a single Management Report and therefore provide more accurate analysis of the economic/financial performance which is represented by the consolidated figures.

The consolidated financial statements as at 31 December 2023 show profit of € 46,059,089, after taxes of € 7,003,831.

For details of the items which make up the Balance Statement and Income Statement in the Group's consolidated statements and the scope of consolidation, please see the relevant schedules in the financial statements, found in the Explanatory Notes.

Legal profile of the Parent Company and corporate obligations

The parent company's classification as a PIE requires it to comply with the following regulations:

- consolidated law on financial intermediation - TUF (Legislative Decree 58/1998), with the limitations on periodic disclosure requirements envisaged in article 83 of the Issuers' Regulation
- provisions on the Financial Reporting Manager pursuant to Legislative Decree 262/05
- provisions on the disclosure of non-financial information pursuant to Legislative Decree 254/16

- the provisions of Reg. EU 596/2014 "Market Abuse Regulation" (MAR) on insider trading;
- with respect to the Transparency Directive (Dir. 2013/50/EU) on required communications from listed companies.

On 24 January 2018, the Shareholders' Meeting approved an initial amendment to the Articles of Association, redefining the company purpose in line with the new legal structure of Concession Holder, as well as establishing a Financial Reporting Manager in line with Legislative Decree 262/05.

Alia Servizi Ambientali S.p.A., as a consequence of the awarding of the Concession to provide integrated waste management for the TC OTA as a result of the competitive tender issued by the granting entity, is qualified as a "public service concession holder", following the tender and therefore pursuant to and in accordance with the combined provisions of article 1, paragraph 2, letter d) and article 3, paragraph 1, letter q) of Legislative Decree 50 of 18 April 2016, and as such is subject to the public disclosure requirements solely for the "public works [...] which are instrumental to management of the service".
In addition to the framework outlined, it should also be specified that (i) pursuant to article 3 of the Service Contract (SC), the duration of the concession granted is twenty years, effective as of 31 August 2017, the date on which the contract was stipulated; (ii) the geographic scope of the service, as defined in article 9 of the SC includes the institutional territory of municipal administrations which are not shareholders of Alia Servizi Ambientali S.p.A.; (iii) the Alia Servizi Ambientali S.p.A. Articles of Association does not contain constraints on the presence or maintenance of public equity investment in share capital; (iv) the SC remuneration mechanism was amended starting in 2020 with the integrated waste management service becoming subject to ARERA regulation, in particular through the issuing of the regulations indicated at the bottom of this note; based on this, TC OTA made Shareholders' Meeting resolution no. 17 of 28/09/2020, resolving "Full approval of the ARERA MTR in the concession scheme".

With Resolution no. 17/2020, Toscana Centro OTA ordered the implementation of the ARERA MTR in the concession, noting that this was an "unforeseeable new circumstance", pursuant to article 175 of the Code and as such able to amend the concession with respect to the section involving tariff mechanisms and the determination of the fee; the same reasoning justified the adaptation of the service contract to regulatory and contractual mechanisms consequent and linked to the MTR pursuant to ARERA resolution 443 of 2019. Subsequently, with the Alia Board of Directors resolution 11/21 and the OTA Shareholders' Meeting resolution 7/2021, the Parties formalised the amendments to be made to the same.

On 6 October 2021 (File no. 28183), OTA and Alia Servizi Ambientali S.p.A. signed the supplement to the service contract. With Resolution 22/2021 of 30 December 2021, OTA approved the criteria to allocate efficient costs to individual tariff areas, pursuant to MTR-2.

With reference to the newly acquired E.S.TR.A. S.p.A. Energia Servizi Territorio Ambiente (hereafter also "Estra"), the company was established in 2010 following the business combination of three public energy services companies with a historic presence in the gas distribution sector in Tuscany: Consiag S.p.A. of Prato (now merged by incorporation in Alia), Intesa S.p.A. of Siena and Coingas S.p.A. of Arezzo. In December 2017 Viva Servizi S.p.A. (formerly Multiservizi S.p.A.) became a shareholder of E.S.TR.A. holding a 10% stake, and then transferring this equity investment in 2021 to the newly established Viva Energia S.p.A.

Below are the most important salient aspects of the main subjects affected by regulatory changes in 2023, not only for the Environmental sector but, in the light of the changes in the scope of consolidation which occurred during the year, also for the other sectors managed by Estra.

Market scenario

Macroeconomic context

2023 proved to be a complex year in which several trends that began in the previous three-year period were consolidated and new dynamics of crucial importance to the balance of the market emerged[4]. The European Union's response to the war between Russia and Ukraine continued through various measures including those related to energy savings, source diversification and the acceleration of the transition towards clean energy, also understood as a means to increase energy independence. Significant progress was recorded in

[4] GME Newsletter no.177 – January 2024

the change in energy routes and supplies, in the upgrading of natural gas infrastructure and in the increase in the percentage of renewables in the energy mix. To offset the impact of high energy prices, the EU introduced support measures for citizens and, despite an increase in energy poverty, government measures helped to mitigate the effect of the energy crisis on the cost of living[5]. Thanks to the restructuring of procurement routes, in 2023 fossil fuel prices fell from the peaks recorded in 2022; however, due to ongoing geopolitical tensions, the global energy market has continued to be volatile[6].
In late 2023, the resurgence of the war in the Middle East between Hamas and Israel caused a new wave of uncertainty, which joined an ongoing unstable geopolitical panorama.

In this scenario, the OECD estimated that in 2023 the international GDP had grown by 2.9%, recording a slight contraction compared to 2022 (-0.2%)[7].
As for international trade, in 2023 the fluctuating trend seen in the previous year continued, which concluded with a clear slowdown, mainly determined by a contraction in global demand. Following a hesitant recovery at the start of the year, trade flows eased in the second and third quarter of 2023, mainly caused by the ongoing geopolitical uncertainty and persistent inflation, which in the main advanced economies[8] stood at high levels, before growing slightly in the fourth quarter[9].
On the whole, in 2023 commercial trade showed deceleration, recording 0.6% growth, compared to 5.4% in the previous year.

In 2023, economic growth in the largest advanced countries was uneven: the United States reported the most sustained increase in GDP, equal to 2.4%, while Japan saw more contained growth, equal to 1.7%. The United Kingdom recorded 0.5% growth compared to 4.3% in the previous year, as a result of high inflation values and interest rates[10].
The estimates available generally show increases in relation to the emerging economies: Russia, which in 2022 had declined by 2.1% as a direct result of the impact on the economy of the sanctions imposed following invasion of Ukraine, recorded a 1.3% increase in GDP in 2023. China showed +5.2% growth, albeit well below the pre-pandemic period mainly due to the continuation of the crisis in the real estate sector.
A positive trend was also seen in India (GDP 6.3% provisional on OECD data, the highest among emerging economies) and Brazil (GDP 3.0% provisional on OECD data)[11].

The economy in the Euro Area weakened in the second half of 2023 as a result of more stringent lending conditions, weakened confidence levels, and losses in competitiveness: the estimates on the economic projections in this area indicate a decrease in the average annual increase of the GDP from 3.4% in 2022 to 0.6% in 2023[12]. GDP in the area decreased slightly in the first quarter, before increasing slightly in the second and falling once again in the summer months, as well as in the final part of the year, slowed by domestic and overseas demand. Inflation continued to decrease for reasons attributable to the fall in the energy component, the impact of the worsening of the monetary policy and the ongoing attenuation of inflationary drivers and bottlenecks in supply[13].

In this context, according to preliminary estimates, Italian GDP slowed significantly in 2023 to 0.7%[14]. After the first quarter, when product grew slightly, driven by the recovery in household spending and the development of investments, it fell in the second, reflecting the decrease in added value in the industry and the lack of expansion in services[15]. In the third quarter, activity proved once again to be weak in manufacturing and in the services sector, and growth remained all but non-existent in the final months of 2023, slowed by restrictive monetary policy, high energy prices, and weakness in overseas demand[16].
Household spending grew again in the initial months of 2023, driven by the increase in employment, the deceleration in inflation and a gradual (but partial) recovery in remuneration[17]. The economic indicators show additional expansion in spending in the second quarter, driven in particular by items connected to tourism, an

[5] ENEA Annual Energy Efficiency Report 2023
[6] International Energy Agency - World Energy Outlook 2023
[7] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 8
[8] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 2/2023 page 5
[9] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 8
[10] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 7
[11] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 7
[12] European Central Bank | Eurosystem – Economic projections for the euro area
[13] European Central Bank | Eurosystem – Economic projections for the euro area
[14] ISTAT – Prospects for the Italian economy in 2023-2024
[15] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 4/2023, page 21
[16] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 4/2023, page 21
[17] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 25

expansion that also extended to the third quarter, before remaining nearly unchanged in the final months of 2023. The consumer confidence climate dropped in the middle of the year: this especially reflects the worsening in opinions on the general economic situation, while ratings on the personal component appear more resilient[18].
With reference to the Italian labour market, employment trends in 2023 were positive. As a matter of fact, employment grew in every quarter of the year; initially in a more sustained manner until summer, before a slightly lower pace in the second part of the year, driven by permanent employment and, to a lesser extent, freelance work[19]. A marked increase was recorded in construction, which recovered following a decrease in the previous four quarters, while a more moderate increase was seen in the services sector. Lastly, employment fell slightly in the industry in the strict sense[20].
Industrial production in Italy followed a fluctuating trend in 2023, with a negative first quarter; this was influenced by the fall in production of capital goods and, to a lesser extent, of intermediate goods, following the increase in the production of consumer goods. A large gap remains between the level of activity in sectors with high use of energy input and the remainder of the manufacturing segment. Production then continued to fall, but more markedly this time, in April-May: this decrease was affected by the prolonged weakness in the global manufacturing cycle – especially in Germany – as well as previous energy price hikes and residual shortfalls in intermediate inputs in certain segments, such as production of machinery and equipment. The decrease seen since the second half of 2022 was interrupted in the third quarter, before resurfacing in October-November, when industrial production shrank by 0.9% in the third quarter[21].
In 2023, the real estate market encountered a negative trend which lasted from the final quarter of 2022 until the third quarter of 2023: purchases and sales rose slightly only at the end of the year[22].
On the other hand, with reference to overseas trade, following the decrease in the first half of the year, in the third quarter exports in volume resumed their growth (0.6%), driven by the recovery in the goods component which more than offset the reduction in services: the increase was attributable to engineering and pharmaceutical products and, to a lesser extent, refined oil products and chemicals[23]. Exports were mainly supported by non-European markets, whereas there was a slowdown in sales in the main partners in the European area[24].
Imports, on the other hand, experienced a falling trend: after remaining stationary in the first half of the year, they decreased in the third quarter (-2.0%), mainly due to lower purchases of goods by countries outside of the Euro Area.

The environment market

The integrated waste cycle market is characterised by a high degree of complexity and managerial heterogeneity. The waste sector is made up of two main segments: Municipal Waste (MW) of domestic origin and Special Waste (SW) mainly from productive activities. The municipal and special waste chains include different stages from the collection/pick-up and transport to recycling, treatment, recovery and disposal. Waste sector operators can operate in one, several or all the chain stages.
As regards the municipal waste market, the country is organised into Optimal Territorial Areas (OTAs); most Regions have opted for a regional OTA and in others the size of the areas varies from the provincial to the sub-provincial scale.
The updated Ispra data on the situation in Italy reveal that 29.1 million tons of municipal waste was produced in 2022, down by 1.8% compared to the previous year (approximately 500,000 tons less). This trend represents the combination of several factors, such as the introduction of different accounting methods of the data relating to municipal waste and the possibility for non-domestics users to make use of alternative collection methods to the traditional public service.
The decrease was recorded across all macro-geographic areas: North (-2.2%), Centre (-1.5%) and South (-1.5%). In absolute terms, the higher production of municipal waste was registered in the North (approximately 14 million tons), followed by the South (9.0 million), and the Centre at 6.2 million tons. Production decreased across all Italian regions, with the exception of Aosta Valley.
The average pro capita was 494 kilograms per inhabitant (down by 1.6% compared to the previous year). Emilia Romagna was the region with the highest numbers at national level (with 633 kilograms per inhabitant), while Basilicata was the region with the lowest (357 kilograms per inhabitant).

[18] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 26
[19] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 4/2023, page 29
[20] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, pages 30-31
[21] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 2-3-4/2023, *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024
[22] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 2-3-4/2023, *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024
[23] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 2/2023, page 33
[24] *Bollettino economico* (*Economic Bulletin*) – Bank of Italy 1/2024, page 31

In 2022, there were 654 municipal waste management plants operating in Italy (657 in 2021): 348 in the North, 117 in Central Italy and 189 in the South. Of these, 358 are dedicated to treatment of the organic fraction of separate collection, 132 for the mechanical or biological treatment of waste, 117 landfill sites, with the addition of 36 incineration and 11 industrial plants that incinerate municipal waste.[25]
Over the years, the increase in separate waste collection has resulted in a growing demand for new treatment plants, especially for the organic fraction. At national level, there are not currently sufficient structures to treat the quantities produced.
Over the last few years, the number of processing plants has increased with respect to landfills, in line with the European guidelines to replace dumping in landfills with the recovery of material and energy, contained in the Circular Economy Package, which also sets the target of 65% of separate collection by 2035.[26]
According to the most up-to-date figures available, in 2022 more than 50% of the waste produced and collected separately was sent to material recovery plants. Full recycling, calculated using the new methods established by European regulations, stood at 51.9% and referred to the following fractions: organic, paper and cardboard, glass, metal, plastic and wood.
18% of municipal waste was disposed of in landfills, the equivalent of 5.2 million tons, coming down by 7.1% compared to 2021. This figure is still well off the 10% target set by the European Union, demonstrating the need for an improvement in the quality of separate waste collection, an increase in the recycling rate and the creation of plants used to close the waste cycle. The current situation requires that improvements to the management system are accelerated in order to achieve the new challenging targets required by European legislation, especially in certain areas of Italy (regarding waste treatment, only the North is at an advanced stage, maximising the recovery of materials and energy, thanks to the widespread availability of plants). Disposal at landfill sites needs to be halved over the next 15 years, the percentage of waste forwarded to material recovery treatments must increase significantly to ensure the targets of 55% for recycling by 2025, 60% by 2030 and 65% by 2035 are achieved.[27]
The rate of separate waste collection increased again in terms of percentage compared to 2022, reaching 65.2% of national production (18.9 million tonnes). The North was the most virtuous area in this activity, with 71.8%, whereas the Centre and the South stopped at 61.5% and 57.5% respectively. Generally, all macro-geographic areas showed increases in the percentage of separate waste compared to the previous year. In 2022, nearly half of the Italian regions achieved or surpassed the 65% target (Veneto, Sardinia, Lombardy, Trentino Alto Adige, Emilia Romagna, Marche, Friuli Venezia Giulia, Umbria and Piedmont, Tuscany, Aosta Valley), Abruzzo was very close to the target (with 64.5%), whereas Sicily was at the tail-end with 51.5%, despite a strong increasing trend in recent years. Focusing on Tuscany, there are approximately 50 municipal waste treatment and disposal plants in the region, but an increase is envisaged for the coming years driven by expected funding.
Organic at 38.3% of the total, was confirmed as the most collected fraction in Italy. Paper and cardboard represented 19.3% of the total, followed by glass at 12.3% and plastic at 9%.
In 2021, 858,000 tons of municipal waste was exported (mainly sent to the Netherlands, Austria and Germany), and 296,000 tons imported.
Over the last year, the average domestic pro capita cost to manage urban waste was € 192.3/inhabitant (decreasing on the € 194.5/inhabitant in 2021). The Central regions recorded the highest costs with an average of € 228.3/inhabitant, followed by the South with an average of € 202.3/inhabitant and then the North with € 170.3/inhabitant.
With regard to the Special Waste segment in Italy, the latest data available in the 2023 edition ISPRA Special Waste Report refers to 2021. Figures show that production increased by 12.2% on the previous year (18 million tons), to reach 165 million tons. The substantial increase is attributable to the general recovery in the industrial, artisanal, and services sectors, following the closures imposed by the previous health emergency.
Non-hazardous waste, representing 93.5% of the total waste produced, increased by around 17 million tons (+12.5%), whereas hazardous waste increased by 820,000 tons (+8.3%). Most of this production was recorded in the North, where the industrial fabric is more developed, with 96.4 million tons (58.4% of the total at national level). Production in Central Italy was at 27.2 million tons (16.5%), and in the South at 41.3 million tons (25.1%).
Among the economic activities that contribute most to the production of special waste, the construction and demolition sector is confirmed as the highest with over 78 million tons (47.7% of the total), followed by waste processing and reclamation activities (around 40 million tons produced accounting for 23.6 % of the total) and manufacturing activities producing around 30.1 million tons at just over 18% of the total. Other economic activities account in total for 9.9% of the total of special waste produced (16.2 million tons).
A total of 178.1 million tonnes were managed in Italy in 2021, of which 168 million referring to non-hazardous waste (94.4%) and 10 million relating to hazardous waste (5.6%). There was a 11.4% increase in the overall

[25] Press release Ispra Municipal Waste Report publication edition 2023.
[26] Directive 2018/851/EU.
[27] *"ISPRA - Rapporto Rifiuti Urbani 2023"* (2023 Municipal Waste Report)

waste managed compared to the previous year; in particular, the quantities sent for recovery treatment (from R1 to R3) increased by 12.6% and quantities sent for disposal by 6%.
The recovery of materials was predominant at 72.1% (128.3 million tons), followed by other disposal treatments, representing around 15.7% (28 million tons), and landfills at 5.7% (10.1 million tons). Residual quantities were sent to co-incineration (1.0%) and incineration (0.6%).
There were 10,763 special waste management plants operating during the year, of which 5,928 in the North, 1,899 in Central Italy and 2,936 in the South. There are 4,601 plants dedicated to the recovery of materials (42.7% of national plant assets) [28].
In 2021, over 3.9 million tons were exported (of which 67% non-hazardous and 33% hazardous), faced with 7.4 million tons imported.
With regard to Tuscany, in 2021, regional production of special waste was at around 10 million tons, 6% of the national total. 95.4% of which (around 9.5 million tons) refers to non-hazardous waste and the remaining 4.6 % (just under 455 thousand tons) to hazardous waste. The main types of waste produced referred to construction and demolition operations. There was an increase in the total number of plants (733 in 2020 to 788 in 2021), Tuscany remains the region with the highest concentration of plants compared to other regions in central Italy, (41.5% of the infrastructure assets in the macro-area)[29].
In October 2023, the Tuscany Region adopted the "Regional plan for waste management and reclamation of polluted sites - Regional plan for the circular economy". This document represented the response to the implementation of EU sustainable development strategies, as well as the programming tool through which the Tuscany Region defines policies on prevention, recycling, recovery and disposal of waste in an integrated manner, in addition to the management of polluted sites to be reclaimed[30].
Finally, in the environmental reclamation segment, 42 Sites of National Interest (SNIs) are operational at national level [31]. In Tuscany, there are 5,145 sites involved in reclamation procedures, of which 2,337 with procedures closed due to no need for intervention, 539 certified for completed reclamation, while 2,269 sites involved in reclamation procedures are active with a total area of 18,502 ha. The contamination of the sites involved derives mainly from industrial activities, waste management and disposal and fuel distribution[32].

Trends in the energy market

In 2023, fossil fuel prices fell from the peaks recorded during 2022, as a result of the restructuring of procurement routes and the slowdown in pressures attributable to the Russia/Ukraine conflict[33]. Nevertheless, during the year the global energy market continued to be tense and volatile, characterised by turbulence linked to the ongoing geopolitical tensions, such as the continued conflict in Ukraine and the emergence of a new crisis in the Middle East[34].
In particular, in 2023 the oil markets confirmed the trends seen over the years in the post-pandemic recovery, with demand for oil in constant growth but with supply that did not keep up. Overall, demand for oil reached 102 million barrels/day, with 2.4 million more than in 2022, one of the largest increases in the last 50 years[35]. This growth is mainly attributable to non-OECD countries and in particular China, while demand in OECD countries remained rather stable. Oil supply in 2023 stood at 101.8 million barrels/day, a volume lower than demand, mainly due to the decisions of OPEC Plus countries to slow down their production in a bid to curb the drop in prices[36].
In this context, oil prices were therefore affected by turbulence in the geopolitical context attributable to the ongoing Russia/Ukraine conflict and new outbreaks in the Middle East.
In 2023, prices saw a downward trend in the first months of the year, followed by a phase of upswings as a result of the announcements of new reductions in supply by Saudi Arabia and Russia, culminating, lastly, in new downturns at the end of the year as a result of the weakening in the macroeconomic context. On average in 2023, the price of the Brent was 83 dollars/barrel, a 16% decrease compared to prices in 2022.
For 2024, analysts predict the continuation of the downturn phase, with average prices that should reach 75-85 dollars/barrel. However, these prices could suffer from fluctuations linked to developments in the international

[28] ISPRA - 2023 Special Waste Report (Summarised Data).
[29] ISPRA – Special Waste Report 2023.
[30] Tuscany Region (https://www.regione.toscana.it/piano-regionale-di-gestione-dei-rifiuti-e-bonifica-dei-siti-inquinati.-piano-regionale-dell-economia-circolare).
[31] ISPRA (https://www.isprambiente.gov.it/it/attivita/suolo-e-territorio/siti-contaminati/siti-di-interesse-nazionale-sin) with update in December 2021.
[32] ARPAT – Annuario dei Dati Ambientali (Environmental Data Yearbook) 2023.
[33] Staffetta Quotidiana (daily bulletin), "The 2023 of Energy" 29/12/2023
[34] International Energy Agency - World Energy Outlook 2023
[35] UNEM – Preconsuntivo petrolifero 2023 (2023 Preliminary Oil Balance)
[36] UNEM – Preconsuntivo petrolifero 2023 (2023 Preliminary Oil Balance)

context[37]. On the other hand, with reference to the trend in market volumes, the International Energy Agency (IEA) estimates a progress in the demand for oil of approximately 900,000 barrels/day for 2024. Supply is also expected to rise according to IEA estimates, exceeding 103 million barrels/day, prevalently supported by production in non-OPEC countries.
Regarding the electricity market, however, the price to purchase energy changed course in 2023 in Italy from the upward trend of the previous year, coming to € 127.24/MWh, 58.1% lower than in 2022[38]. This price variation was impacted heavily by the reduction in the price of gas, alongside the fall in purchases and the increase in renewable volumes, as well as the high level of net imports.
In particular, the PUN showed a trend strongly driven by the drop in the price of gas, presenting a decreasing trend in the first half of the year and subsequent growth until October, also in line with the outbreak of conflict in the Middle East. The final two months of the year experienced downturns in the prices[39].
2023 saw a new reduction in electricity volumes traded on the Day Ahead Market (DAM) at 278.0 TWh (-3.9% compared to 2022). Over-the-counter trading exchanged on the Electricity Power Exchange (PCE) and nominated on the DAM reached record lows of 68.1 TWh, falling by 13%. Volumes traded on the Stock Exchange, on the other hand, came to 209.9 TWh, a slight decrease of 0.5% on 2022[40].
The same downward dynamics were also observed with reference to the price of natural gas on the Virtual Exchange Point (PSV), which settled at € 43.05/MWh, decreasing by € 82.33/MWh compared to the record levels reached in 2022.
The downward trend characterised the entire year, hitting the lowest prices in July (€ 32.33/MWh); a slight recovery was seen in October, when the price exceeded € 40/MWh, in line with the stiffening of tensions in the Middle East and the beginning of winter. The price of gas on the PSV followed similar trends to those recorded by the main European hubs, with the TTF[41] down at € 40.79/MWh (- € 83.87/MWh compared to 2022). The PSV-TTF spread stood at around € 2/MWh, compared to € 0.7/MWh in 2022[42].
In relation to prices on the Italian market, in July 2023 the GME introduced the new IG price index (IGI), with the aim of providing a tool to interpret and evaluate the dynamics seen on the gas markets delivering to the PSV. In the initial months when the IGI was active, its value stood at € 37.78/MWh, in line with the price dynamics of the main European hubs[43].
2024 began with gas prices falling sharply, coming to below the threshold of € 30/MWh: the current price is twelve times lower than the peak records of August 2022, when Europe was the epicentre of the energy crisis[44]. Nevertheless, gas prices in the first weeks of the year were nearly three times lower than the values recorded in winter 2023. Instability in the Middle East continues, however, to dominate the international political scene, made uncertain once again by tensions in the Red Sea, which are slowing down the passage of commercial ships. Gas carriers headed for Europe are making changes to their routes that pass through the Suez Canal, with considerably longer delivery times. The International Energy Agency warns that the ongoing dynamics and geopolitical risks, in addition to concerns about supply, could trigger renewed volatility in gas prices, with repercussions also in terms of consumption[45].

Overview of the Italian markets

The natural gas market

NATURAL GAS (Million m³)	**Financial year 2023**	**Changes %**
Imports	60,639	-11.7
Domestic production	2,802	-9.7
Delivery from storage	7,971	-12.9
Total issued	**71,712**	**-11.7**

37 UNEM – Preconsuntivo petrolifero 2023 (2023 Preliminary Oil Balance)
38 Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.2
39 Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.2
40 Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.3
41 The TTF (Title Transfer Facility) is the natural gas trading hub of reference at European level.
42 Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.15
43 Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.13
44 Il Sole 24 Ore, "Gas, prices below 30 euro despite cold and geopolitics", 23/01/2024
45 QualEnergia.it, 29 January 2024

Services and domestic use	26,641	-7.4
Industrial use	11,445	-4.0
Thermoelectric use	21,091	-16.2
Exports, third-party networks and system consumption*	3,949	+28.5
Total demand	**63,127**	**-8.4**
Injections into storage	8,285	-30.7
Total drawn down	71,412	-11.7

** includes line-pack variation, losses, consumption and unaccounted for gas*

In 2023, natural gas consumption in Italy fell by 8.4% compared to 2022, standing at the lowest levels since 2015, at 63,127 million cubic metres[46]. The decrease affected the three distribution sectors, with a more marked decrease in the thermoelectric segment, which stood at 21,091 million cubic metres (-16.2%), followed by the domestic segment, which, with a volume of 26,641 million cubic metres, fell by 7.4%; unlike 2022, the industrial segment saw the least defined drop, with a volume of 11,445 million cubic metres (-4.0%). The positive trend in exports and other consumption was confirmed, with 3,949 million cubic metres (+28.5%).
With reference to supply dynamics, with 2,802 million cubic metres, domestic production is at a historical low, accompanied by a fall in imports which stood at 60,639 million cubic metres, these too at their lowest levels since 2015. The distribution of flows by type and point of entry reflects the changes caused by the start of the Russia/Ukraine conflict, with restructuring of supplies from Russia and consolidation of the positive trend in imports of LNG.
In detail, the strategic role of LNG is fostered by the start-up of the new terminal in Piombino (LI) and in the increase recorded at Cavarzere (VE) (import +6.0%) and Livorno (import +1.8%). Imports via gas pipelines, on the other hand, were down in 2023 largely caused by the reduction in flows from Russia to Tarvisio (-76.9%). Also down were flows from Algeria to Mazara (-2.2%), from Azerbaijan to Melendugno (-3.4%), from Libya to Gela (-3.6%), and European ones to the Gries Pass (-9.4%)[47].

In 2023, total trades on the gas spot markets (MP-GAS) managed by the GME (Gestore Mercati Energetici - Energy Markets Operator) showed a 12% reduction from the record high of 2022, of 155 TWh. The decrease in volumes is attributable to the different system context and is concentrated in the AGS (system gas procurement) segments, since the national stockpiling emergency no longer exists.

The gas distribution sector

In the gas distribution sector, 2023 was a year that saw, in terms of the weighted average cost of capital, the confirmation of the values from the previous year. In this sense, resolution 654/2022/R/com of 6 December 2022 had defined the WACC parameter values at 5.6% for both the distribution service and for gas metering, confirming what was already in place in 2022.
As for 2024, there will be an increase in the weighted average cost of capital. As a matter of fact, in the wake of the increase in inflation, with resolution 556/2023 of 28 November, ARERA recognised the release of the "trigger"[48] mechanism (something that did not happen last year), increasing the WACC values from 5.6% to 6.5% for the gas distribution and metering segments.
In relation to the performance of MTA bidding, which should have ensured greater efficiency and investments in the networks but also lower prices for users, they currently remain at a standstill despite regulatory changes in recent years.
In particular, the Draft Law (DDL) on Competition, converted with Law no. 118 on 5/08/2022, contains regulatory adjustments that aim to adequately develop the gas distribution networks owned by local entities, to relaunch investments in the natural gas distribution sector, and to accelerate at the same time the procedures for performing tenders for natural gas distribution services. The legislation also provides for a review of Ministerial Decree 226/11 (regulation on MTA bidding) initially expected in early 2023, but not yet issued.
On the whole, a situation of widespread stagnation persists, consequently resulting in the provisional management of expired concessions continuing (*ope legis* management), and an increase in potential

[46] Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.13
[47] Gestore Mercati Energetici (Energy Markets Operator) – Newsletter no.177 January 2024, p.13
[48] The updated WACC is linked to the so-called "trigger effect", i.e. the fact that the trend in certain market variables in the previous year led to a recalculation of the Allowed WACC by 50 basis points higher than the WACC defined by the Authority for the 2022-2024 period.

disputes with the awarding entities regarding the concession fees payable during this phase, which is extending far longer than the concession itself.
In summary, at the end of 2023, the tenders published compared to those initially provided for in the calendar of the Ministry of Economic Development were small in number. In particular, during 2023, only the Trento MTA reached the end of the process for the publication of the tender to award the natural gas distribution service on a concession basis. The updated situation as at 31 December 2023 is as follows:
5 MTAs with call for tenders published still active: Lodi 1, Varese 3, Vicenza 4, Potenza 2, Trento;
24 MTAs with calls for tenders revoked, cancelled, suspended: Cremona 2 and 3, Alessandria 2, Turin 3, Udine 1, Perugia 2, Massa Carrara, Udine 3, Como 1, Bergamo 3, Brescia 1, Trieste, Bergamo 2, Milan 4, Milan 3, Verona 2, Monza Brianza 1, Genoa 2, Venice 1, Lucca, Monza and Brianza 2, Biella, Prato, Varese 2, Vicenza 4;
8 MTAs awarded: Belluno (Italgas award), Milan 1 (UnaReti - A2A Group award), Turin 2 (Italgas award), Aosta (Italgas award), Udine 2 (AcegasApsAmgas spa - Hera Group award), Turin 1 (Italgas award), Naples 1 (2I Rete Gas award), La Spezia (Italgas award);
3 MTAs with calls for tenders published and expired: Turin 5 (deadline for submitting application for participation passed on 04/02/22, pending next stage), Catanzaro-Crotone (deadline for submitting bids passed on 15/09/2023), Rimini (opening of tenders already carried out, pending definitive awarding to Adrigas).

The market for electricity and renewable energy sources
In 2023, the demand for electricity in Italy fell by 2.8% compared to the previous year, recording 306.1 TWh (compared to approximately 315.0 TWh in 2022).

Electricity Balance Sheet (TWh)[49]			
Electricity (TWh)	**Financial year 2023**	**Financial year 2022**	**Changes %**
Net production (of which):	257.023	274.607	-6.4
- Thermoelectric	157.934	191.276	-17.4
- Hydroelectric	38.244	28.094	36.1
- Photovoltaic	30.595	27.674	10.6
- Wind	23.374	20.304	15.1
- Geothermal	5.347	5.449	-1.9
Net import/export balance	51.252	42.987	19.2
Pumping consumption	2.185	2.586	-15.5
Total demand	**306.090**	**315.008**	**-2.8**

*Total demand= Net production + Foreign balance – Pumping consumption.

Total net production intended for consumption[50], recording a decrease of 6.3%, with 254.838 TWh, met 83.25% of the domestic electricity requirement. The contraction in electricity demand is the result of major negative changes in the first part of the year, followed by moderately positive changes from September. This performance was affected by the comparison with the previous year, characterised by a significant reduction in demand as a result of the energy crisis. It follows that the decrease seen in the second half of 2022 has remained constant until now, at lower levels than the previous historical trend[51].

In terms of supply, there was consistent growth in renewable production: in particular, hydroelectric generation returned in line with historical values, up by 36% compared to 2022, at 38.244 TWh. Photovoltaic production also increased (30.595 TWh, +10.6%), as did wind (23.374 TWh +15.1%). Geothermal production, on the other hand, recorded a slight drop of 1.9%, at 5.347 TWh. With reference to non-renewable components, thermoelectric production fell by 17.4% with 157.934 TWh and, in particular, coal experienced a 41.7% reduction. The pronounced decrease is mainly attributable to the interruption in initiatives to maximise coal-fired plants, initiated to address the energy crisis in 2022[52].

The energy efficiency market

The Conference of the Parties in Paris (COP21) in 2015, marked the moment when the world became actively concerned about the risks arising from climate change, translating these into the tangible goals discussed by

[49] Terna – Monthly Report on the Electrical System, December 2023
[50] Total net production intended for consumption = Total net production – Pumping consumptions.
[51] Staffetta Quotidiana (daily bulletin), "Terna, in 2022 consumption down -2.8%", 22/01/2024
[52] Staffetta Quotidiana (daily bulletin), "Terna, in 2022 consumption down -2.8%", 22/01/2024

subsequent Climate Conferences, and which mainly concerned the regulation of the carbon market and the alignment of the various interests of countries in the actions to be undertaken.
The 28th and most recent Conference of the Parties was held between November and December 2023 in Dubai, in the United Arab Emirates. During the proceedings, the first global stocktake was created in the context of the Paris Agreement. The stocktake highlighted the need to reach peak global greenhouse gas emissions by 2025 and to reduce them by 43% by 2030, then by 60% by 2035 compared to 2019 levels, in order to limit global warming to 1.5°C. It also revealed the delay of several countries in achieving the Paris Agreement targets. The parties therefore agreed to present their updated climate plans for 2035 before COP 30[53]. Among the objectives strictly related to energy and the transition away from fossil fuels, the parties agreed to progressively phase out fossil fuels in the energy sector by 2050. With reference, on the other hand, to renewable energies and energy efficiency, the mutual agreement of the parties is to triple the capacity for renewable energy at international level and to double the rate of improvement in energy efficiency by 2030.
At European level, the regulatory framework on energy and climate by 2030 is continuously evolving and for years attention has been on the process of decarbonisation. According to the provisions of European climate regulations, the aim of the European Union is to achieve climate neutrality by 2050. In this area, the European Green Deal presented in 2019 is the EU's strategy to achieve the aim of transforming Europe into the first zero-climate-impact continent, also establishing the requirement for all EU policies and regulations to be consistent with this goal. Another step towards decarbonisation was made by the approval of the "Fit for 55" package, presented in 2021 and containing a set of proposals setting the target to reduce greenhouse gas emissions in the EU by at least 55% by 2030. The package also takes action on the EU Emissions Trading System[54], renewable energy and energy efficiency, setting out standards also on CO2 emissions for cars and vans.
The climate and energy targets of the Green Deal, subsequently expanded in the "Fit for 55" package of proposals, were further validated by the REPowerEU emergency package, adopted in May 2022 in a highly volatile and delicate geopolitical context. The REPowerEU Plan proposed a series of measures that aimed to put a swift end to Europe's reliance on the import of Russian energy, while moving towards the energy transition to tackle climate change. Lastly, in 2023, in the context of the Recovery Fund, Italy presented a proposed amendment to its National Recovery and Resilience Plan (NRRP), including a new chapter on REPowerEU. The European Commission expressed a favourable opinion of the amended NRRP, which was approved by the EU in December 2023.

In the context of construction and buildings, 2023 and the start of 2024 marked a radical change in the so-called "Superbonus" concession, introduced in the middle of the COVID emergency to provide a boost for recovery in the construction sector. Over the years, the regulatory structure of the Superbonus has been subject to numerous measures and changes, implemented to address the irregularities and fraud that emerged during audits by the Authority, as well as to ensure the sustainability of the tool within tax policy. With application of the 110% percentage introduced in the main formulation now shelved, on 1 January 2024 the superbonus experienced another reduction, from 90% to 70% (with the exception of seismic crater areas where the concessions is still 110%)[55]. The tool will also remain in force exclusively for condominiums. The percentage will be reduced once again in 2025 to 65%, when, subject to change, the tax concession will end. Lastly, in terms of numbers, based on figures presented by Enea in its 110% Superbonus Report, there were 461,433 building interventions under way at 31 December 2023 in terms of the incentive, for approximately € 102.6 billion in investments eligible for deductions[56].
With reference to the Mechanism of White Certificates (EEC), introduced by Ministerial Decrees in 2001 and comprising a mandatory regime of primary energy savings imposed on electricity and gas distributors with over 50,000 customers, it should be noted that the legislative and regulatory framework relating to the market of energy efficiency certificates has experienced considerable changes over the years. More recently, Italian Ministerial Decree of 21 May 2021 set the national energy savings targets, which must be pursued by electricity gas distribution companies for 2021-2024[57]. In order to comply with national objectives, the mechanism envisaged primary energy saving obligations assigned to obligated entities, defined in millions of White Certificates, to be achieved in the 2021-2024 period. Lastly, with the publication of Directorial Decree of 4 May 2023, the list of standardised projects eligible for the mechanism of White Certificates was updated, while in October 2023, the updated and non-exhaustive list of eligible energy efficiency projects was published, grouped by type of project and form of energy saved, with indication of the values of useful life for the purposes of granting White Certificates[58].

[53] Council of the European Union and European Council – COP 28
[54] The Emissions Trading System of the European Union (EU ETS) is one of the main tools on which EU policy to combat climate change is based.
[55] Sole 24 Ore, "Superbonus at 70% in 2024: what is changing and other tax benefits", 19/12/2023
[56] Chamber of Deputies Parliamentary Documentation – ENEA Report on the Superbonus
[57] GSE, Annual White Certificates Report 2023
[58] GSE, Annual White Certificates Report 2023

During 2023, the GSE recognised a total of 1,029,558 EECs, with a 33% increase in certificates recognised compared to 2022, a year in which approximately 774,000 certificates were recognised. The average price recorded on the organised market in 2023 fell by 2.4%, bringing it to € 251.73/toe, while the volumes traded on the EEC market remained substantially unchanged compared to the previous year (+0.4%).

Energy efficiency certificates – cumulative data[59]				
Year	Price (€/TOE)			Volumes traded (TOE)
	Weighted average	Minimum	Maximum	
2023	251.73	242.00	259.00	1,756,866

On the other hand, as regards the electric mobility sector, 2023 was a positive year for electric vehicle registrations. In January-November 2023, 59,478 electric cars were registered in Italy, an increase of 33.6% compared to the first 11 months of 2022. The market share of electric cars is 4.1%, a slight increase on the 3.7% of 2022. In total, the fully electric fleet circulating in Italy was 217,422 units at 30 November[60].
With reference to electric charging infrastructure, in 2023 there were a total of 50,678 charging stations in Italy. In detail, in the year just ended, there were 13,906 installations of new charging stations, of which 3,450 recorded in the last quarter.
58% of the total charging stations are installed in the North, followed by the South with 23%, and finally Central Italy with 19%[61]. During the year, growth in installations also continued along the motorway network, where at 31 December 2023 there were 932 charging stations (+436 compared to one year ago), distributed in nearly one third of Italian service areas. Approximately 86% of the charging stations on the motorway are direct current (DC), while 61% exceed 150 kW. Lastly, at regional level, Lombardy is the region with the most charging stations distributed by region, followed by Piedmont and Veneto[62].

The telecommunications and digital services market

In the first half of 2023, the Telecommunications sector consolidated its solidity shown in the previous two-year period at global level, growing by 2.4% compared to the first half of 2022. These results were driven by the leading Asian Telco groups, especially by Chinese companies. The results of European groups remained stable, while American telco companies recorded a slowdown in revenues[63].
The Italian market nevertheless shows milder results in terms of revenues: in the first half of 2023, domestic revenues of the leading Italian operators were almost unchanged (-0.1% compared to the same period in the previous year), figures that confirm the falling trend in revenues in place since 2020. Specifically, the mobile segment recorded -3.9%, while landline showed a positive trend of +3%[64].
According to Assintel (National Association of ICT and Digital Companies) data, in 2023, growth continued in the digital market in Italy, which stands at € 39 billion, +4.8% compared to the previous year. At macroeconomic level, according to the data published, growth in the IT segment was driven by Software (+11.8%) and IT Services (+5.2%), while there was a slowdown in the segment of Hardware (-1.5%) and Telecommunications (-0.8%)[65]. Forecasts for 2024 envisage further improvement in the Italian digital sector, where an 8.4% growth to € 41 billion is estimated.
With reference, on the other hand, to the digital transformation, in the progression towards a digital economy and society (measured by DESI – Digital Economy and Society Index of the European Commission), Italy is positioned 18th in the EU, with a score of 49.3 out of 100, compared to 52.9 in Germany, 53.3 in France, and 60.8 in Spain. Italy also came out on top for 5G coverage, even in rural areas[66]. The largest gaps concern human capital (Italy is last in terms of number of graduates in ICT disciplines) and Digital Intensity (an index that measures the use of digital technologies by companies).

With reference to landlines, AGCOM reported in 2023 a decrease of 215,000 accesses compared to the overall figure in the same period in 2022, with total lines amounting to approximately 20 million. A breakdown of the above value finds that the majority of accesses (49.6%) took place through FTTC (fibre to the cabinet), while 21.4% refer to FTTH (fibre to the home), 18.7% accesses via Copper and 10.3% accesses via FWA (fixed

[59] GSE, Annual White Certificates Report 2023
[60] QualEnergia on Motus-E data, December 2023
[61] Motus-E, Charging infrastructure in Italy
[62] Staffetta Quotidiana (daily bulletin) on Motus E data, 15/02/2024
[63] Press release - Mediobanca Study Areas – Report Telco (ed. 2023).
[64] Press release - Mediobanca Study Areas – Report Telco (ed. 2023).
[65] Assintel Report 2023 – The ICT and Digital Market
[66] The European House – Ambrosetti – OBSERVATORY ON THE DIGITAL TRANSFORMATION OF ITALY, 2023 Report, Executive Summary p. 4

wireless access). Compared to 2022, the figures showed a significant increase in accesses via fibre (+4.7%), while accesses via copper continued to fall (-4.0%). The FWA and FTTC sources remain in line with the previous year[67]. Broadband accesses in 2023 exceeded 18.89 million, decreasing by 100,000 units on an annual basis. The downward trend in ADSL lines was confirmed (-22.5%), reaching 2.56 million.

As for mobile telephony, at the end of the third quarter of 2023, the market shares of the main operators were similar to 2022: TIM was confirmed in first place with a share of 27.9%, followed by Vodafone (27.2%)[68], while Wind Tre was third at 23.7%. The French operator Iliad continued to grow, once again confirmed as the fourth operator in Italy with a 9.7% market share[69].
Total active SIMs in Italy have risen to 108.5 million: this growth was supported by "M2M"[70] SIMs, which reached 29.7 million with a 3.7% increase. "Human" SIMs remained the most prevalent with 78.9 million, stationary compared to the same period in 2022.
Lastly, MVNOs covered 11.6% of the market share by number of total SIMs and 15.59% in total Human SIMs.

Significant events during the year

Merger

On 26 January 2023, the deed for the merger by incorporation of Acqua Toscana S.p.A, Consiag S.p.A. and Publiservizi S.p.A. in Alia Servizi Ambientali S.p.A. was formalised; the legal and accounting effects of this transaction began as of 1 February 2023.

Following the merger by incorporation, Alia took over ownership of all the assets, liabilities and existing relations contracted previously by the merged companies. Among the significant assets transferred with this transaction are the 39.50% equity investment in the share capital of Estra S.p.A., the 10.29% stake in the share capital of Toscana Energia S.p.a and the 19.31% stake in Acque S.p.A.. For more information on the accounting effects of the transaction, please see the section "11.1 Merger by incorporation of Consiag SpA, Publiservizi SpA, Acque Toscane SpA." in the Explanatory Notes.

Shareholders' agreement signed with Coingas and acquisition of a controlling interest in Estra SpA

In line with the consolidation project for a Tuscan Multiutility by entering new sectors, through a shareholders' agreement drawn up on 15 June 2023 between Alia and Coingas S.p.A., the holder of 57,400,000 shares, equal to 25.14% of the share capital of Estra, the two shareholders, holders of 64.64% in total of the capital, governed, through a coordinated exercise of the voting right, the composition of the Board of Directors and the roles attributed to the parties respectively and other provisions related to the governance of Estra, for which Alia is assigned the responsibility of corporate management and the possibility to exercise substantial decision-making powers over the financial, managerial and strategic policies of the subsidiary.

The content of the agreement, jointly with the Articles of Association, determine that (i) Estra is subject to the dominant influence of Alia and therefore under its control pursuant to article 2359, no. 2 of the Italian Civil Code, (ii) Alia exercises management and coordination over Estra.
As illustrated in the section "11.2 Acquisition of a controlling interest in Estra SpA" in the Explanatory Notes, given that control exists pursuant to IFRS 10, the company was consolidated on a line-by-line basis starting in the second half of 2023.

The direction and coordination by Alia strives, in harmony with the other shareholders, for an ambitious strategy of industrial strengthening and enhancement of the company's history and strong territorial roots, and reinforces the journey to overcome the fragmentation of Tuscan public services and allow for progression on an industrial scale capable of consolidating the many local public services businesses into one Tuscan Multiutility. The consolidation also strives to bring together the key expertise and best practices of the companies while creating benefits for the entire Group, economies of scale for a better distribution of the tariff costs, a single point of contact for the Customer, and adequate management of risk and compliance.

[67] AGCOM - COMMUNICATIONS OBSERVATORY NO. 4/2023
[68] The data of operators TIM and Vodafone include the lines of their subsidiaries, respectively Kena Mobile and VEI (which offers "ho." mobile telephony services)
[69] AGCOM - COMMUNICATIONS OBSERVATORY NO. 4/2023
[70] M2M (Machine-to-Machine) SIMs are SIMs that allow for the exchange of data, information and commands between equipment and devices with limited or no human interaction.

The guiding principles of the new governance for achieving the full potential of the Multiutility will be the strengthening of the role of the business areas, interaction between the business areas and Corporate, and interfunctional coordination between the Corporate structures.

Transfer of AER – Ambiente Energia Risorse S.p.A. shares

On 24 November 2023, the Board of Directors met in notary certified form, carrying out the initial capital increase, delegated to the administrative body by the Shareholders' Meeting on 20 October 2022, to allow the transfer to Alia of the AER – Ambiente Energia Risorse S.p.A. shares held by the state shareholders of the latter. The deed of transfer was formalised on 15 December 2023, taking effect as from 29 December 2023. As an effect of this, Alia's share capital increased from € 359,319,429 to 360,556,971. For more information on the accounting effects of the operation, please see the section "11.3 Acquisition of a controlling interest in AER – Ambiente Energia Risorse SpA" in the Explanatory Notes.

State of emergency in the Tuscany Region – Flooding on 2 November 2023

On 2 November 2023, an exceptional weather event led to flooding, following which, with a resolution dated 3 November 2023, the Council of Ministers declared a state of emergency for the Provinces of Florence, Livorno, Pisa, Pistoia and Prato for 12 months. In fact, the flooding created a crisis for numerous rivers and streams which breached their banks with a consequent invasion of the urban area.

With an ordinance issued by the head of the Civil Protection Service, no. 1037 of 5 November 2023, the initial measures to adopt were defined which, among other things, included the possibility for the Delegated Commissioner to identify entities to implement the projects pursuant to article 25, paragraph 2, letter b) of Legislative Decree 1/2018, the Civil Protection Code, "to restore the functioning of public services and the infrastructure of strategic networks and management of waste, rubble, plant or flood material or earth and rock from excavation produced by the events and measures intended to guarantee administrative continuity in the affected municipalities and areas, also through temporary actions".

The Delegated Commissioner identified Alia Servizi Ambientali S.p.A., in its position as a publicly held company, Concession Holder for integrated urban waste management in the Provinces of Florence, Prato and Pistoia, as an implementing entity, as indicated in commissioner ordinance 101 of 18 November 2023. Subsequently, with ordinance 93 of 10 November 2023, the Commissioner identified Alia as the entity responsible for non-domestic producers of special waste.

On 16 January 2024, the Delegated Commissioner was sent a detailed estimate of the works carried out by Alia as the implementing entity, with a value of around € 20 million, so as to define the plan of projects which the Commissioner will submit to the Head of the Civil Protection Department for approval. Payment of the amounts relative to implementing entity works, by the Commissioner, relative to special accounting for emergencies, will occur after the document justifying the works included in the Plan have been uploaded on the FenixRt portal. On the same date, Alia also uploaded its € 3 million request for damages, as an entity damaged by the floods.

Based on the indications found in ordinance 1037/23, following recognition of the damages, the Delegated Commissioner must see the payment of contributions to beneficiaries in line with the priority and implementation methods to be defined in their provisions, sending the lists to the Department of Civil Protection for acknowledgement within 90 days of the publication of ordinance 1037/23 (i.e. by 11 February 2024). The sending of the lists does not constitute automatic recognition of the financing. The contributions requested for damages incurred will be recognised solely for the portion not covered by insurance policies.

The accounting impacts of the event can be found in the section on operating events, with analysis of non-recurring elements.

Start of the Tariff Fee (TARIC – Tariffa Corrispettiva)

2023 was the year in which the Tariff Fee began in the Municipalities adhering to ATS-1 (Social Welfare Division no. 1). The TARIC has two essential features: the first is the switch from a tax-based payment to a tariff-based payment, therefore moving from municipal financial statements to corporate ones and, the second is the fact that the new tariff takes user behaviour into account and the amount of the invoice no longer a bill, may vary in either direction based on usage.

A final aspect, equally important, is the establishment of single sectors based on the type of service provided in the territory, that is in all Municipalities managed with a “door to door” service the base tariff will remain the same, in the same way for those with a hybrid system or those using solely roadside skips. Therefore, all Municipalities have a single regulation and tariff which is the same in the case of similar services.

An ancillary and essential element in the transfer to the new tariff system is the installation and delivery of the materials and technology necessary to monitor the waste deposited.

Operating performance - economic data

Below are the operating schedules which summarise the Group's economic, equity and financial figures for the financial years ending on 31 December 2023 and 2022. The summary figures from the income statement can be easily reconciled with those found in the financial statement schedules.

Alternative performance indicators found in this document include both financial amounts envisaged in the IFRS and metrics which are not envisaged in the IFRS, although partially deriving from them (Non-GAAP Measures). These amounts are presented to offer a better overview of the Group's operating performance and should not be considered as an alternative to those envisaged in the IFRS. In particular:

i) EBITDA, Earnings Before Interests, Taxes, Depreciation and Amortisation, also known as gross operating margin, represent EBIT before amortisation, depreciation and provisioning. Given the non-financial nature of the investment and the significant management and operational role played by the Group in companies under joint control, the portion of the subsidiary’s result attributable to the Group is measured using the equity method, and recorded in the income statement before the operating result;

ii) EBIT, Earnings Before Interests and Taxes, coincides with operating profit (loss) shown in the income statement;

iii) EBT, Earnings Before Taxes, coincides with profit (loss) before income tax shown in the income statement.

In general terms, the interim results shown in this document are not defined as an accounting measure in the context of the IFRS and, therefore, the criteria used to determine these interim results may not be the same as those adopted by other companies.

Reported Income Statement (amounts in thousands of euros)	**2023**	**2022**	**Change 2023-2022**	
			Absolute	**%**
Total revenue	**1,108,377**	**507,536**	**600,841**	***118.4%***
External costs	-820,633	-320,857	-499,776	*155.8%*
Cost of labour	-152,992	-121,265	-31,727	*26.2%*
Measurement of strategic equity investments using the equity method	10,828	929	9,899	*1065.4%*
EBITDA	**145,581**	**66,343**	**79,237**	***119.4%***
Amortisation/depreciation and write-downs	-74,203	-30,473	-43,730	*143.5%*
Provisions	-11,116	-1,038	-10,079	*971.2%*
EBIT	**60,261**	**34,833**	**25,428**	***73.0%***
Write-downs and writebacks on financial assets and liabilities	-34	-26	-8	*30.8%*
Measurement of financial equity investments using the equity method	18,097	244	17,853	*7310.6%*
Financial income	10,320	2,105	8,214	*390.1%*
Financial expenses	-35,581	-7,007	-28,574	*407.8%*
EBT	**53,063**	**30,150**	**22,913**	***76.0%***
Income taxes for the year	-7,004	-7,719	715	*-9.3%*
Profit (loss) for the year	**46,059**	**22,431**	**23,628**	***105.3%***
Profit/(loss) of non-controlling interests	9,455	1,240	8,215	*662.7%*
Group profit/(loss)	36,604	21,192	15,413	*72.7%*

The table below illustrates the consolidated revenues, EBITDA, EBIT and adjusted EBT for the financial years ended on 31 December 2023 and 2022:

Adjusted Income Statement (amounts in thousands of euros)	2023	2022	Change 2023-2022	
			Absolute	%
Total Adjusted Revenues	**1,086,249**	**476,002**	**610,247**	***128.2%***
External costs	-806,655	-320,857	-485,798	*151.4%*
Cost of labour	-152,992	-121,265	-31,727	*26.2%*
Measurement of strategic equity investments using the equity method	10,828	929	9,899	*1065.4%*
Adjusted EBITDA	**137,430**	**34,809**	**102,621**	***294.8%***
Amortisation/depreciation and write-downs	-67,198	-30,473	-36,725	*120.5%*
Provisions	-11,116	-1,038	-10,079	*971.2%*
Adjusted EBIT	**59,116**	**3,299**	**55,818**	***1692.2%***
Write-downs and writebacks on financial assets and liabilities	-34	-26	-8	*30.8%*
Measurement of financial equity investments using the equity method	14,782	244	14,538	*5953.2%*
Financial income	10,320	2,105	8,214	*390.1%*
Financial expenses	-30,898	-7,007	-23,891	*341.0%*
Adjusted EBT	**53,286**	**-1,385**	**54,671**	***-3,948.3%***
Income taxes for the year	-6,713	-150	-6,563	*4365.9%*
Adjusted profit (loss) for the year	**46,573**	**-1,535**	**48,108**	***-3,134.1%***
Profit/(loss) of non-controlling interests	9,560	-85	9,645	*-11,369.4%*
Adjusted Group profit/(loss)	37,013	-1,450	38,463	*-2,652.4%*

The Group's consolidated income statement for 2023 was affected by a number of income components which (i) derive from events or operations whose occurrence is non-recurring, or from operations or events that do not reoccur frequently in the normal course of the activity or (ii) derive from events or operations not representative of the normal business activity, even if these occurred in previous years or are likely to occur in subsequent ones. The composition of elements defined by the Company's management as non-recurring, unusual or not representative of the normal business activity for the financial year ended 31 December 2023:

Non-recurring item	2023	2022
Flood emergency contribution	-10,273	0
Compensation for damages from natural gas providers	-9,719	0
Release of provision for risks for disputes	-1,686	0
IRMA gas distribution from previous years	-451	0
AMM portion (environment fee)	0	-31,535
Total non-recurring revenue	**-22,128**	**-31,535**
Flood emergency costs	10,273	0
Reversal of Cash Flow Hedge Commodity Swaps	2,111	0
Solidarity fund	1,105	0
Criminal proceeding conclusion penalties	489	0
Total non-recurring costs and revenue with impact on EBITDA	**-8,150**	**-31,535**
Impairment of district heating plants	2,728	0
Impairment of gas distribution meters	2,205	0
Impairment of electronics	2,072	0
Total non-recurring costs and revenue with impact on Operating Profit/(Loss) (EBIT)	**-1,145**	**-31,535**
Impairment of Blugas Infrastrutture S.r.l.	2,195	0
Provision for interest payable due to delayed payment on disputes (gas distribution)	1,909	0
Reversal of Cash Flow Hedge Commodity Swaps	579	0
Capital gains, Acque consolidation	-3,315	0
Total non-recurring costs and revenue with impact on Profit before taxes	**223**	**-31,535**
Tax effect on non-recurring costs and revenue	291	7,568
Total non-recurring costs and revenue with impact on Net Result	**514**	**-23,966**

In 2023, the following non-recurring elements occurred (with a total positive impact on the net result of € 0.5 million):

- costs and revenue associated with the flood emergency (€ 10.3 million). Due to the considerations indicated under significant events and the extraordinary nature of the event, both the costs incurred

through 31 December 2023 and the associated expected revenue have been treated as non-recurring events. To that end, please see the comments on the item "other income" in the Explanatory Notes;
- greater revenue for indemnities received following the positive resolution of several disputes involving Estra Energie S.r.l. as an active part in the request for economic damages from several providers (€ 9.7 million);
- the release of provisions for risks coming from companies merged by incorporation into Alia Servizi Ambientali - Consiag and Publiservizi - for a total of € 1.7 million;
- greater revenue relating to fees on the residual amount for foregone amortisation on initial installation electronic meters disposed of early paid to Estra Group companies operating in the distribution of natural gas as a recovery on previous years' tariffs, pursuant to ARERA Resolution 737/2022/R/gas of 29 December 2022 (€ 0.5 million);
- reversal of the cash flow hedge commodity swap reserve for a total of € 2.7 million;
- contributions for previous years for the provision for employee solidarity;
- penalties following the conclusion of criminal proceedings relative to executives (€ 0.5 million)
- impairment of district heating plants as described in the Notes (€ 2.7 million);
- impairment of electronic meters as described in the Notes (€ 2.2 million);
- impairment of electronic skips as described in the Notes (€ 2.1 million);
- impairment of the equity investment in Blugas Infrastrutture as described in the Notes (€ 2.2 million);
- allocation to the provision for risks for interest payable that the Group may have to pay for delayed payment of payable items subject to dispute, in the event of a loss (€ 1.9 million);
- capital gains following the consolidation of Acque S.p.A.

The adjustments have a fiscal effect of € 0.3 million (lower income taxes).

In 2022, the following non-recurring items are noted (with a total negative impact on the net result of € 24.0 million):
- greater revenue following the accounting alignment of AMM portions relative to the MTR fee for Alia. These refer to the portions for the years 2021 and 2020 for € 31.5 million.

The adjustments had a fiscal effect of € 7.6 million (lower income taxes).

Following the corporate events which occurred during the year, described in this document, Alia acquired control over the Estra Group. With respect to the business model previously in effect at Alia, focussed on management of the waste cycle, Estra's includes various strategic business units (SBUs) in other sectors, including natural gas and electricity sales, natural gas distribution and LPG sales and distribution, other services including digital, energy efficiency and the selection treatment and storage of waste (environment) and corporate-level services. To better comprehend the results for the period, below is a breakdown of results distinguishing between the Alia Group and Estra.

The table below illustrates total adjusted revenues, including revenues from sales and services and other revenues of each business area of the Group for the financial years ended 31 December 2023 and 2022, with an indication of the significance, in percentage terms, compared to the Group's total consolidated revenues.

Total Adjusted Revenues (amounts in thousands of euros)	**2023**	**2022**	**Change 2023-2022**	
			Absolute	*%*
Environment	527,591	476,002	51,589	*10.8%*
Sale of natural gas and electricity	446,937	0	446,937	*n.a.*
Regulated Market	77,913	0	77,913	*n.a.*
Other services	69,319	0	69,319	*n.a.*
Adjustments and eliminations	-35,511	0	-35,511	*n.a.*
Total Adjusted Revenues	**1,086,249**	**476,002**	**610,247**	***128.2%***

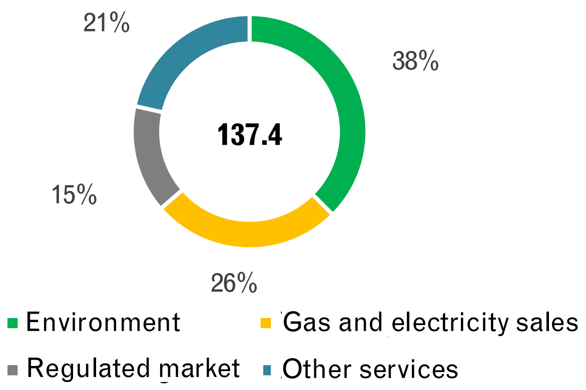
In 2023 adjusted revenues increased with respect to the previous year by € 610.3 million (+128.2%) following the consolidation of the Estra Group as from 1 July 2023 (€ +558.7 million) and growth in the environment sector (€ +51.6 million), the latter driven by greater revenues from the MTR fee, the increase in revenues from separate collection and commercial sales and greater construction revenues from concession rights.

External costs went from € 320.9 to 806.7 million (+151.4%), accounting for 74.3% of revenue (67.4% in 2022). External costs relative to the second half of 2023 for the Estra Group totalled € 460.1 million, while the growth

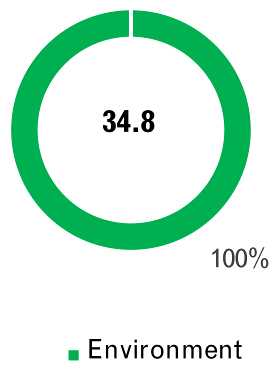
in the environment sector with respect to 2022 (€ +25.7 million, +8.0%) is due to both increased costs for collection and disposal costs, as well as the increase in charges for concession rights.
The cost of labour came to € 153.0 million, of which € 23.5 million relative to Estra. Growth in the environment segment compared to 2022 totalled € 8.3 million, or 6.8%, mainly due to the renewal of the national collective labour contract (CCNL) and progressive internalisation of services.

Adjusted EBITDA is equal to € 137.4 million, a significant increase with respect to the € 34.8 million registered in 2022. As noted below, the main change involves consolidation of Estra business as from 1 July 2023. In fact, while in 2022 100% of adjusted EBITDA referred to the environment sector, the impact of this same segment in 2023 fell to 38% in favour of the gas and electricity sales SBUs (26%), the regulated market (15%) and other services (21%).

Adjusted EBITDA 2023

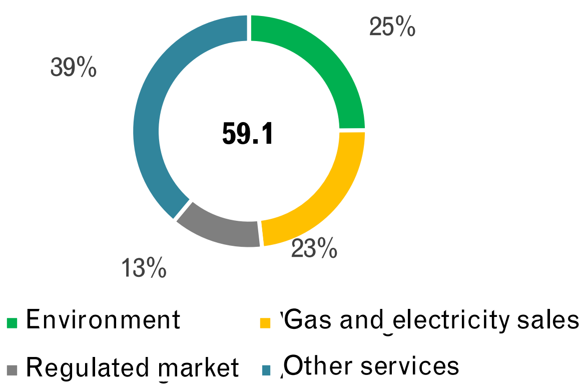


Adjusted EBITDA 2022

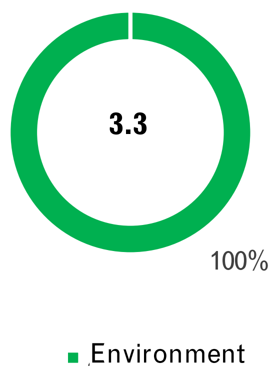


Amortisation/depreciation and write-downs amounted to € 67.2 million (€ 30.5 million at 31 December 2022). The change is due both to consolidation of Estra (€ 35.6 million) and greater investments in the environment sector. Allocations to provisions for bad debts also increased (+€ 10.1 million) following the consolidation of Estra and measurements carried out after the switch to the tariff fee for the ATS-1 municipalities, abandoning the TARI system.
As a result of the increased gross operating margin, adjusted operating profit went from € 3.3 million in 2022 to € 59.1 million in 2023 with a positive change of € 55.8 million.

Adjusted EBIT 2023



Adjusted EBITDA 2022



Measurement of financial equity investments using the equity method mainly includes recognition of proportional profits relative to the associated company Toscana Energie and relative to the first half for Estra.

Financial management shows a negative balance of € 20.6 million compared to 4.9 million in 2022, as a result of the considerable increase in average interest rates and due to the increase in financial debts undertaken.
Adjusted profit before taxes came out at € 53.3 million (-€ 1.4 million in 2022).
Income taxes total € 6.7 million with a 12.6% tax rate, the latter affected by significant elements such as the use of the equity method to measure equity investments not subject to taxation during the year.
Adjusted net profit was € 46.6 million (-€ 1.5 million in 2022).

Operating performance - equity and financial figures

Reclassified Balance Sheet (amounts in thousands of euros	**2023**	**2022**	**Change 2023-2022**	
			Absolute	**%**
Concession assets	794,933	284,777	510,156	*179.1%*
Property, plant and equipment	202,211	72,434	129,777	*179.2%*
Intangible fixed assets	212,589	828	211,761	*25584.0%*
Goodwill	67,623	250	67,373	*26897.4%*
Financial	563,266	204,617	358,649	*175.3%*
Fixed assets	**1,840,622**	**562,907**	**1,277,715**	***227.0%***
Inventories	20,722	4,908	15,814	*322.2%*
Trade receivables	586,091	170,561	415,530	*243.6%*
Trade payables	-421,028	-117,097	-303,932	*259.6%*
Other receivables	292,219	20,188	272,030	*1347.5%*
Other payables	-340,375	-31,020	-309,355	*997.3%*
Net Working Capital	**137,629**	**47,541**	**90,088**	***189.5%***
Provisions for risks and charges	-68,964	-46,057	-22,907	*49.7%*
TFR (Employee severance indemnity)	-20,135	-12,444	-7,691	*61.8%*
Net Invested Capital	**1,889,152**	**551,946**	**1,337,205**	***242.3%***
Shareholders' Equity	1,216,724	387,114	829,610	*214.3%*
Net financial position	672,428	164,832	507,595	*307.9%*
Total sources of financing	**1,889,152**	**551,946**	**1,337,205**	***242.3%***

Fixed assets went from € 562.9 million at 31 December 2022 to € 1,840.6 million at 31 December 2023. This increase is mainly due to the effects of the merger by incorporation in Alia of Consiag Spa, Publiservizi SpA and Acqua Toscana SpA as from 1 February 2023, the consolidation of the Estra Group as from the second half of the year and the consolidation of AER as from 29 December 2023, following the transfer of 90.02% of its shares to Alia. For more information on the effects of these transactions, please see the Explanatory Notes.
The environmental segment saw significant investments during the period, in systems (over € 40 million, of which around € 27 million to construct the Montespertoli biodigester), transformation of collection systems (around € 30 million) and to increase digitalisation (over € 15 million).

Net working capital went from € 47.5 million to € 137.6 million. This change, affected by the operations outlined above, was also impacted by the following: i) increase in trade receivables from the energy efficiency sector for real estate redevelopment works (110% Super Bonus), ii) the increase in trade receivables from the gas and electricity sales SBU following higher volumes of gas and electricity sold in the 4th quarter compared to previous years and the lack of new without recourse factoring at the end of the year, iii) the increase in trade receivables from the regulated distribution market and iv) the increase in receivables from the environment segment from the Municipalities of ATS-1, which switched to the tariff fee, after the transfer from monthly Municipal billing to quarterly user billing.

Other receivables and payables were also significantly influenced by the transactions which occurred during the year. Among the most significant items under other payables at 31 December 2023 is the debt associated with the potential exercising of the option by the shareholders of the former-Publiservizi for € 125.9 million. More information can be found in the comments on equity investments in the Explanatory Notes.

Shareholders' equity at 31 December 2023 amounted to € 1,216.7 million (€ 387.1 million at 31 December 2022). The changes that occurred in the year are mainly attributable to the extraordinary operations during the period, the profit for the period and the distribution of dividends. Shareholders' equity represented 64.4% of the financing sources, compared to the 70.1% for the year ended 31 December 2022.

The various corporate operations which occurred during the year, with cash flow absorbed for investments and operations led to an increase in net financial debt, which went from € 164.8 million in 2022 to 672.4 million at 31 December 2023.

Below are a number of consolidated **performance indicators** with reference to economic, equity and financial management.

Group performance indicators	Calculation Method	U.M.	2023	2022
Solidity Indices				
Equity solidity	Shareholders' equity / (total liabilities - shareholders' equity)		0.71	0.97
Self-coverage, fixed assets	Shareholders' equity / fixed assets		0.66	0.69
Coverage of fixed assets with permanent capital	(Shareholders' equity + non-current liabilities)/fixed assets		1.11	1.11
Liquidity indices				
Availability ratio	Current assets/current liabilities		1.06	1.20
Total liquidity ratio	(Current assets - inventories)/current liabilities		1.03	1.17
Financial indices				
Income management cash flow	Profit + amort. and depreciation + advances	€ 000	131,378	53,942
Average invent. duration (1)	(Final inventories x 360)/material consumption	days	24	75
Average tariff receiv. duration (2)	(Trade receivables x 360)/revenues	days	196	113
Average duration trade payables (3)	Trade payables x 360/(material consumption + costs for services + other operating expenses)	days	210	172
Working capital cycle	(1) + (2) - (3)	days	10	16
Profitability indices				
ROE	Profit / shareholders' equity		3.8%	5.8%
ROI	EBIT / total assets		2.1%	4.4%
Productivity economic indicators				
Per capita revenue	Revenue / average workers	€ 000	258.80	151.90
Per capita cost of labour	Personnel costs / average workers	€ 000	41.79	44.76
Per capita operating income	EBIT / average workers	€ 000	16.46	12.86

Operating performance - Analysis by Strategic Business Unit (SBU)

The schedules below provide the adjusted income statements for strategic business units relative to 31 December 2023 and 2022. With reference to the year in question, the scope of consolidation includes economic results achieved by the Estra Group in the second half of 2023 through its strategic business units i) gas and electricity sales, which includes free market activities for sales of gas and electricity and trading, ii) the regulated market, which includes natural gas distribution regulated by ARERA and, residually, LPG sales and distribution, iii) other services, including energy efficiency, renewables, network management and sales of services in the telecommunications segment and selection and storage of waste in the environmental segment.

2023 business segments (amounts in thousands of euros)	Environment	Gas and electricity sales	Regulated Market	Other services	Adjustments and eliminations	Total
Total Revenue	**527,591**	**446,937**	**77,913**	**69,319**	**-35,511**	**1,086,249**
External costs	-346,538	-402,522	-45,899	-46,912	35,215	-806,655
Personnel costs	-129,518	-8,511	-11,555	-3,703	296	-152,992
Income from non-financial equity investments	182	0	0	10,646	0	10,828
Gross operating margin (EBITDA)	**51,717**	**35,904**	**20,459**	**29,350**	**0**	**137,430**
Depreciation, amortisation, provisions and write-downs	-31,637	-18,227	-12,774	-4,561	0	-67,198
Write-downs of receivables	-5,173	-3,868	-117	-1,958	0	-11,116
Operating Income (EBIT)	**14,907**	**13,809**	**7,568**	**22,832**	**0**	**59,117**

2022 business segments (amounts in thousands of euros)	Environment	Gas and electricity sales	Regulated Market	Other services	Adjustments and eliminations	Total
Total Revenue	**476,002**	**0**	**0**	**0**	**0**	**476,002**
External costs	-320,857	0	0	0	0	-320,857
Personnel costs	-121,265	0	0	0	0	-121,265
Income from non-financial equity investments	929	0	0	0	0	929
Gross operating margin (EBITDA)	**34,809**	**0**	**0**	**0**	**0**	**34,809**
Depreciation, amortisation, provisions and write-downs	-30,473	0	0	0	0	-30,473
Write-downs of receivables	-1,038	0	0	0	0	-1,038
Operating Income (EBIT)	**3,299**	**0**	**0**	**0**	**0**	**3,299**

ENVIRONMENT

Adjusted revenue for the segment shows an increase of € 51.6 million with respect to 2022 (+10.8%) mainly due to:

- the increase in revenues from the MTR fee paid to the Manager for € 32.6 million;
- growth in trade receivables for waste brokering services and contributions to collection for € 6.9 million;
- the increase in revenues from concession rights for € 12.5 million.

At 31 December 2023, revenues from the environment SBU represented around 50% of total revenues recorded by the Group.

EBITDA for the SBU is equal to € 51.7 million, a significant increase with respect to the € 34.8 million registered in 2022. Growth in margins can be attributed to the trend in revenues as summarised above, partially offset by the increase in costs for collection services tenders, due to inflation adjustments required in contracts and registered during the year, as well as higher disposal costs.
Amortisation, depreciation and writedowns totalled € 31.6 million, up slightly with respect to 2022 (+€ 1.2 million) due to greater investments.
Allocations for provisions for write-downs rose, going from € 1.0 to 5.2 million following the start of the new tariff fee systems in the ATS-1 municipalities and the relative switch for invoicing from monthly to the Municipalities to quarterly to users.
Operating profit came to € 14.9 million, representing 25% of consolidated EBIT.

GAS AND ELECTRICITY SALES

Revenues from gas and electricity sales in the second half of 2023 amounted to € 446.9 million and refer:

- to gas sales to end customers (raw materials, fixed and distribution portion) for € 232.0 million (equal to 51.9% of the segment) against 412.5 million m3 of gas sold
- electricity sales to end customers (raw materials, PVC, transport and dispatching) for € 154.5 million and 525 GWh
- gas and electricity sales to PSV, GME and balancing operations for € 48.3 million
- other revenues from customers and allocation of corporate revenues for € 12.1 million.

Adjusted EBITDA for the SBU is € 35.9 million, positively impacted by the increase in the customer base during 2023 (896,000 customers at 31 December 2023, compared to 755,000 in 2022) and the improvement in purchasing conditions for commodities.

EBIT is € 13.8 million, representing 23% of consolidated EBIT.

At 31 December 2023, there were 896,000 gas and electricity customers, up with respect to the 868 thousand customers recorded at 30 June 2023 and the 755,000 at 31 December 2022. The change is due to more intense efforts to acquire customers and the awarding, in the first half, of customer Lot 9 for the electricity sector micro-enterprise Incremental Protection Service (83,000 customers at 31 December 2023).

Number of gas and electricity customers (thousands)	2022	1H 2023	2023
Total	755	868	896

Number of gas customers (thousands)	2022	1H 2023	2023
Total	559	551	556
Number of electricity customers (thousands)	**2022**	**1H 2023**	**2023**
Total	195	317	340

REGULATED MARKET

In the second half of 2023, the regulated market SBU recorded revenues of € 77.9 million, consisting of: i) revenues eligible for regulatory purposes (VRT) for € 39.7 million, ii) capitalised costs for networks and meters for € 17.2 million, iii) revenues from trading of energy efficiency certificates for € 6.3 million, iv) other revenues from customers for accessory services and security incentives for € 7.7 million, v) allocation of corporate revenues for € 5.8 million and vi) revenues from customers for LPG management for € 1.3 million.
EBITDA totalled € 20.5 million, accounting for 26% of total revenues and 51% of VRT revenues, in line with the figures in previous years.

EBIT is € 7.6 million, representing 13% of consolidated EBIT.

Investments made in networks, plants, and the replacement of traditional meters with electronic meters allowed for growth in the Regulatory Asset Base (RAB). This indicator determines net invested capital for the purposes of ARERA's determination of tariffs.
The RAB managed in 2023 was € 422 million.
Of note, there are 5,000 LPG customers serviced by around 140 kilometres of channel networks.

Operating measures	2022	2023
Gas input into the network (million m^3)	790	696
Active PoDs ('000)	640	640
Km of network	8,532	8,567
RAB (€ millions)	417	422

OTHER SERVICES

The other services sector includes energy efficiency services (energy and renewables services), digital services (telecommunications) and the environment, mainly relative to special waste management provided by companies in the Estra Group, still in the process of being integrated with the environmental services provided by the parent company and its direct subsidiaries.

Revenues in this segment came to € 69.3 million. Note significant development in energy efficiency works in the second half of 2023, linked to the 110% Super Bonus, above all in condominiums, in view of the expiration of fiscal incentives for contractors (revenues of € 42.3 million). Also note revenues in the renewables sector for € 5.5 million, in the energy services sector for € 3.2 million, the TLC sector for € 7.0 million and for € 11.1 million in the environment sector.
EBITDA for other services totalled € 29.4 million. In addition to business coming from Estra, the result for the sector also benefited from non-financial revenue from equity investments measured using the equity method, specifically Publiacqua.

EBIT is € 22.8 million, representing 39% of the consolidated operating result.

Operating performance - Parent Company

Below are the operating schedules which summarise the economic, equity and financial figures for the parent company Alia Servizi Ambientali S.p.A., for the financial years ending on 31 December 2023 and 2022.

Reported Income Statement (amounts in thousands of euros)	2023	2022	Change 2023-2022	
			Absolute	%
Total revenue	**499,137**	**470,342**	**28,795**	***6.1%***
External costs	-341,716	-305,097	-36,619	*12.0%*
Cost of labour	-117,045	-110,451	-6,594	*6.0%*
Measurement of strategic equity investments using the equity method	10,828	929	9,899	*1065.4%*
EBITDA	**51,205**	**55,723**	**-4,518**	***-8.1%***
Amortisation/depreciation and write-downs	-28,413	-23,187	-5,226	*22.5%*
Provisions	-5,038	-952	-4,085	*429.0%*
EBIT	**17,754**	**31,583**	**-13,829**	***-43.8%***
Write-downs and writebacks on financial assets and liabilities	-1,838	0	-1,838	*n.a.*
Measurement of non-financial equity investments using the equity method	19,733	60	19,673	*32582.2%*
Financial income	3,973	2,120	1,852	*87.4%*
Financial expenses	-12,250	-5,435	-6,815	*125.4%*
EBT	**27,372**	**28,329**	**-956**	***-3.4%***
Income taxes for the year	927	-7,679	8,606	*-112.1%*
Profit (loss) for the year	**28,299**	**20,650**	**7,650**	***37.0%***

The table below illustrates the consolidated revenues, EBITDA, EBIT and adjusted EBT for the financial years ended on 31 December 2023 and 2022. For more information about non-recurring elements please see the paragraph above.

Adjusted Income Statement (amounts in thousands of euros)	2023	2022	Change 2023-2022	
			Absolute	%
Total Adjusted Revenues	**487,179**	**438,807**	**48,372**	***11.0%***
External costs	-327,738	-305,097	-22,641	*7.4%*
Cost of labour	-117,045	-110,451	-6,594	*6.0%*
Measurement of strategic equity investments using the equity method	10,828	929	9,899	*1065.4%*
Adjusted EBITDA	**53,224**	**24,188**	**29,036**	***120.0%***
Amortisation/depreciation and write-downs	-26,340	-23,187	-3,153	*13.6%*
Provisions	-5,038	-952	-4,085	*429.0%*
Adjusted EBIT	**21,846**	**49**	**21,798**	***44620.9%***
Write-downs and writebacks on financial assets and liabilities	-1,838	0	-1,838	*n.a.*
Measurement of non-financial equity investments using the equity method	16,418	60	16,358	*27092.1%*
Financial income	3,973	2,120	1,852	*87.4%*
Financial expenses	-11,672	-5,435	-6,236	*114.7%*
Adjusted EBT	**28,728**	**-3,206**	**31,934**	***-996.1%***
Income taxes for the year	172	-111	282	*-254.9%*
Adjusted profit (loss) for the year	**28,900**	**-3,317**	**32,216**	***-971.3%***

The table below illustrates equity figures for the parent company for the financial years ended on 31 December 2023 and 2022.

Reclassified Balance Sheet (amounts in thousands of euros)	2023	2022	Change 2023-2022	
			Absolute	%
Concession assets	342,873	275,832	67,041	*24.3%*
Property, plant and equipment	44,648	16,383	28,264	*172.5%*
Intangible fixed assets	109	86	22	*25.7%*
Financial	804,752	223,271	581,481	*260.4%*
Fixed assets	**1,192,381**	**515,573**	**676,808**	***131.3%***
Inventories	2,726	2,689	37	*1.4%*
Trade receivables	175,538	154,094	21,444	*13.9%*
Trade payables	-137,333	-108,220	-29,113	*26.9%*
Other receivables	61,528	15,713	45,815	*291.6%*
Other payables	-151,747	-22,712	-129,034	*568.1%*
Net Working Capital	**-49,288**	**41,564**	**-90,851**	***-218.6%***
Provisions for risks and charges	-43,426	-36,223	-7,203	*19.9%*
TFR (Employee severance indemnity)	-10,853	-11,900	1,048	*-8.8%*
Net Invested Capital	**1,088,815**	**509,013**	**579,802**	***113.9%***
Shareholders' Equity	877,410	367,577	509,833	*138.7%*
Net financial position	211,405	141,436	69,969	*49.5%*
Total sources of financing	**1,088,815**	**509,013**	**579,802**	***113.9%***

With reference to the activities carried out by the parent company, 2023 saw the continuation of plans and the implementation of the same to transform collection and brushing services, as well as the development of plants called for in the Group's Business Plan, while also moving towards the goals of digitalisation and internalisation of certain activities.

In terms of digital activity, certain important improvements were identified and introduced, including UHF tags for roadside containers, to obtain a census of the container fleet, the installation of GPS tags on roll-off equipment and equipping vehicles with GPS and UHF reading systems (currently 60% of vehicles now have this system). Additionally, the new digital "Genius 5.0" container was launched during the year. The result of cooperative work between Alia and its partner Nord Engineering, this is a high-tech product that will revolutionise the integrated waste collection system by taking advantage of developments in artificial intelligence.

With reference to the process of transforming collection services, note (i) continuation of the "Florence - Circular City" project within the Municipality of Florence, with various collection systems for various areas within the City, (ii) the activation of hybrid collection in the Municipality of Montecatini, (iii) the introduction in the Municipality of Lastra a Signa of technological improvements connected with the tariff fee, including grounding of up-loader containers with electronic and volumetric sensors to track waste deposited and (iv) the continuation within the Municipality of Pistoia of the transformation of the roadside collection services outside of the walls which surround the historic centre.

With reference to waste management, in 2023 the Company collected over 834 thousand tonnes of waste in the relevant area, with a separate waste index[71] of 68.74%. Based on the most recent ISPRA waste report[72], the separate waste index in Italy is 65.2%, while in the Tuscany Region it is 65.6%. Alia's excellent performance is due to investments to transform collection systems and raise citizen awareness.

Waste managed							
				Changes			
Tonnes	2021	2022	2023	vs. 2021	%	vs. 2022	%
Non-separate waste	278,879	265,911	260,790	(18,089)	-6.49%	(5,121)	-1.93%
Separate waste	575,447	574,746	573,514	(1,933)	-0.34%	(1,232)	-0.21%
TOTAL	**854,326**	**840,657**	**834,304**	**(20,022)**	**-2.34%**	**(6,353)**	**-0.76%**
%SW	***67.36%***	***68.37%***	***68.74%***	***1.38%***		***0.37%***	

[71] this latter amount was calculated using the standard certification method for urban waste separate collection percentages established in D.G.R.T. 1272/2016

[72] "*ISPRA - Rapporto Rifiuti Urbani 2023*" (2023 Municipal Waste Report)

With reference to the fleet of vehicles, the process of updating and maintaining operating vehicles continued, in particular through the continued switch to up-loaders for waste collection, replacing side-loaders. In general, the number of circulating vehicles in the fleet (excluding operating vehicles and forklifts for plants and CDRs and other equipment) remained essentially constant, going from 1,265 in 2022 to 1,257 in 2023 (-1.0 %), and the average age also remained fairly constant, going from 5.2 years to 5.1 years. Maintenance of the fleet also continued, to limit maintenance costs and improve emissions. In fact, 109 vehicles were disposed of in classes lower than Euro 6 (including some in Euro 1, 2 and 3) and 101 new Euro 6 vehicles were registered. With reference to the fleet of containers, against the disposal of 54 old containers/press-containers, 103 new ones were purchased, brining the total from 1,174 roll-off pieces (including both containers and press-containers) to 1,223 (+4%).
In terms of systems, 2023 saw (i) the completion of the new anaerobic digestion section and the revamping of the composting section at Casa Sartori, with the start of biomethane production, (ii) the start of revamping works at the Case Passerini pole, to increase processing capacity, as well as redevelopment works at the San Donnino pole, which will lead to the construction of a system to treat and recover RAEE waste, (iii) the installation of a new processing line at the Paronese TM, (iv) as well as the continuation of preliminary and design activities both to install the new processing and recovery system for textile waste in Prato (Textile Hub) and for the revamping of the Dano system, the latter intended to convert the location into a processing and recovery system for cellulose waste.

The end of 2023 saw flooding which impacted the Municipalities of Agliana, Quarrata, Montale, Prato, Montemurlo, Campi Bisenzio, Fucecchio, Cerreto Guidi, Vinci and Lamporecchio, involving around 105,000 residents. This event affected collection and brushing work and also had significant consequences for the Case Passerini TMB, creating a need to activate alternative outlets (Costa OTA) for unsorted waste flows, with a temporary increase in transfers going to the San Donnino pole.

Research and development

Innovation and research are of great importance in the Group's strategic plan. In particular, the Group is investing in research, development and innovation for optimisation, operational efficiency and the introduction of innovative technologies in its processes.

During the year, the Group performed various research activities in several business segments, also in partnership with Universities, Research Institutes and companies. For a description of the most important initiatives carried out in 2023 please see the Non-Financial Statement.

Treasury shares and shares of parent companies

The Group holds 982,107 treasury shares, through Alia Ambientale S.p.A, with a nominal value of € 982,107.

At 31 December 2023, the companies in the Group do not hold any shares or units of the parent companies, including through fiduciary companies or agents, nor did they purchase or dispose of these shares or units during the year. Alia S.p.A. is a subsidiary of the local entity the Municipality of Florence.

Personnel, recruitment policies and training

In 2023, the average number of employees registered in the Group's employee registers[73] totalled 3,661 (a breakdown follows).

	Average employees by position						
Average no. employees	**Alia S.p.A.**	**Revet S.p.A.**	**Programma Ambiente Apuane S.p.A.**	**Ambiente Toscana OpCo S.P.A.**	**AER**	**ESTRA Group ***	**Total Alia Group**
Managers	15	1	0	0	1	29	46
Middle managers and office workers	676	59	2	2	23	604	1,366
Manual workers	1,629	168	2	5	51	200	2,055
Agency staff	236	5	0	0	0	28	269
Total	**2,556**	**233**	**4**	**7**	**75**	**861**	**3,736**

In 2023, 112 employees left the parent company and 68 new people were hired. The new hires include personnel from the merger by incorporation of Consiag S.p.A. and Publiservizi S.p.A. during 2023, for a total of 7 people. The use of agency staff was necessary mainly to guarantee that personnel absent for holiday (as annually scheduled) or due to injuries/sickness were covered.
Within the Estra Group, 10 employees left and 10 new people were hired. The new hires include personnel from the merger by incorporation of Monte Urano Energia S.r.l. into Prometeo S.p.A. in 2023 for a total of 2 people. Recourse to agency workers was mainly necessary to ensure the replacement of personnel absent due to maternity leave or illness as well as for specific peak working periods, in particular for the extraordinary activities of Estra Energie S.r.l., which was awarded the Micro-businesses Incremental Protection Services in Territorial Area 9 Basilicata, Calabria, Bari and Taranto.

With the aim of supporting professional growth and the development of employees, in 2023, internal searches were carried out to guarantee coverage of personnel needs. To fill positions that could not be covered internally external recruitment occurred, with announcements published on the company website and online (social networks and recruiting sites) or entrusted to economic operators in the sector.
7 internal recruitment searches occurred at the parent company as well as 19 external ones, while between July and December the Estra Group carried out 1 external search.

During 2023, the parent company continued to manage employees who had partially or entirely lost their ability to perform their jobs (in particular operators and drivers responsible for waste collection and brushing), in line with the process developed in 2020 and confirmed through the union agreement signed on 20/07/2021. During the year 67 employees, corresponding to 35 FTEs, were temporarily and/or permanently moved. Again with the aim of supporting the internal development of personnel, the search for hidden skills continued, with 424 temporary or permanent job changes, following changes in company requirements.
In 2023, the Alia Group's commitment to growth of professional skills and human capital continued, as did its dissemination in the companies and workplaces, through the design and delivery of mandatory training courses (privacy – IT security - environment - occupational health and safety) as well as transversal or technical skills development courses (continuous professional development). The total number of training hours delivered in 2023 (annual figure) was 80,869, involving 3,311 employees, a 45% increase over the previous year. This increase is linked to operational training (side by side and training for equipment and vehicles) as well as education and updating of soft skills or specific technical skills.

[73] The figures for the Estra Group refer to the period from July–December 2023, excluding training hours.

Hours of training							
		2023				Abs. Change	Change %
		Alia	Revet	Estra	aggregate figure		
of which security	No.	18,247	2,958	6,514	27,719	6,470	30%
of which MOG	No.	573	31	210	814	-495	-38%
of which on-the-job training	No.	20,997	3,096	2,212	26,304	10,327	65%
of which continuous professional development	No.	7,913	528	17,591	26,031	8,539	49%
Total	**No.**	**47,730**	**6,612**	**26,527**	**80,869**	**24,842**	**44%**

Centria S.r.l., the gas distribution company of the Estra Group S.p.A., launched an extracurricular internship lasting six months, for 16 young people chosen from Technical Institute diploma holders and graduates in Engineering and Economics. 244 hours of technical training in the classroom and via webinars were delivered by Centria personnel (36 internal teachers involved), in addition to 673 hours of shadowing.

Estra Energie S.r.l. and Prometeo S.p.A., the two energy sales companies in the Estra Group, oversaw Customer Service training through its Estra Training technical academy. The training offer in 2023 saw the delivery of 194 topics (e-learning courses and contributions from experts) and 12 webinars.

IT systems and infrastructure

During the year the Group continued its Digital Transformation process, designing new architectural and application maps to support decision-making processes and developments to move towards the integrated Multiutility.

With reference to applications, the initiatives begun by the parent company in 2022 were strengthened with a focus on strategic data use and integrating advanced technology into company processes. The most significant systems included:

- SAP ISU-Billing saw important positive results and various developments to optimise invoicing processes;
- the single Waste SAP system, among various updates, saw the introduction of sensors on roadside bins. This will allow for data to be collected throughout the territory covered, offering specific collection figures and improving service efficiency;
- the introduction of the corporate data platform represented a turning point in the processing and analysis of data, offering an asset to support decision making processes able to interact with the potential of artificial intelligence.

Moving on to infrastructure and data center, investments involved the development and adoption of the most recent cloud technologies to support data management requirements coming and residing in hybrid databases. The areas that saw a complete overhaul included:

- control room and data platform, with the implementation of a cloud system (MaaS, mobility as a service) to collect and manage data coming from mobile devices;
- virtual centralised infrastructure management, with management of all virtual architecture strengthened to obtain greater control over current and future work loads required by business;
- SAP on Cloud, identified as a future partner that will allow the company to offer and manage its ERP over the next three years, moving towards the multiutility goal while guaranteeing security and resilience in access to significant data;
- maintenance of virtual assets, implementation of the SCCM service (part of the Microsoft Operation Manager suite) for patching and maintaining virtual assets, including server and client;
- Odaseva (SaaS), identified as a solution for the CRM Salesforce backup to implement during 2024.

With reference to networks and security, 2023 saw the addition of new tools and the strengthening of existing cyber-security systems and/or processes. The adoption of market-leading tools was accompanied by continuous monitoring and supervision of the company perimeter, including audit and assessment activities.

The main security initiatives include the adoption of security information and event management (SIEM) tools, as well as vulnerability management and behavioral analysis.

In terms of distributed IT, the Workplace Management project continued, with the adoption of a model that privileges secure work station access, with robust solutions and functions to support user tasks. Among the main initiatives under the project, note (i) the implementation of Unified Endpoint Management, a new Endpoint management system using the Microsoft Intune platform, (ii) the implementation of TeamViewer, software able to remotely monitor all equipment delivered to users, guaranteeing respect for company policies and security principles and (iii) the implementation of a two-step authentication system (MFA) to guarantee and increase access security for online accounts and IT systems.

Given Alia's recent acquisition of the Estra Group Management and Coordination, preliminary analysis and assessments are currently in progress regarding possible technological developments and how to integrate the two systems. Currently, the most important applications used within Estra include ERP NET@SUITE: released on 1 June 2022, the management software integrates the traditional functions of ERP with those of CRM (Customer Relationship Management) combined with a Business Intelligence program known as Qlik-Sense. This solution is currently used by all the companies of the Centria S.r.l. Group, Estra Energie S.r.l. and Prometeo S.p.A., while the remaining companies still utilise the previous IT systems (mainly SAP).

In addition to the NETA application, other specialised software is used, in part connected to the NETA system through specific connectors (e.g. ARXIVAR, document software for electronic filing of incoming documents and for logging), or through ETL technology (e.g. TLQ to manage treasury flows with credit institutions).

The main characteristics of the existing risk management and internal control system in relation to the financial reporting process, also consolidated

The completeness, accuracy and promptness of financing reporting is ensured by the adoption of an effective and efficient Group internal control system, constantly improved and adapted to changes in corporate activities, the legislative framework and the economic and social context.

The Group has provided itself with accounting and administrative procedures, inspired by the financial reporting internal control system outlined in Italian Law 262/05, and constantly updated and monitored.

The system used for the formation of the 2023 financial statements comprises:

- identification of the controls that reside in the management processes overseeing the risks on financial disclosure;
- definition of the information flows that must run between the Group's units and the Administration and Financial Statements area;
- codification of the tasks, responsibilities and deadlines of the units tasked with preparing the accounting documents;
- the procedures that define the operating methods adopted by the parent company and the Group companies for the main administrative/accounting processes and for preparing the corporate accounting documents.

As integral parts of the internal control system as a whole, the following components must also be considered:

- the Code of Ethics, containing the principles and general rules that characterise the organisation and that are in keeping with the business and market context;
- the organisation, management and control model adopted in order to ensure the prevention of the crimes contemplated by Italian Legislative Decree 231/2001;
- the rules that govern the activity of the company and the Group in terms of HSE (quality, environment and safety).

Following the corporate and organisational changes within the Group, the integrated risk management model is currently being updated and amended, the latter of which inspired by internationally recognised standards for enterprise risk management (ERM) developed according to the reference model generally accepted at the international level in the field of internal control, issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as CoSO Report).

This ERM model is aimed at supporting the Management in identifying the main business risks and the methods through which they are managed, and at defining the methods through which to organise the monitoring system protecting against the aforesaid risks.

The Integrated Control and Risk Management System, integrated into the organisational and governing structures, helps to guarantee business conditions in line with the company objectives, in that it makes it possible to identify, assess, manage and monitor the main risks in relation to their ability to influence the achievement of those objectives.

Report on corporate governance and the ownership structures
Article 123-bis of the TUF (Legislative Decree 48 of 2008) establishes that companies that issue securities traded on regulated markets must provide in a specific section of the Management Report, titled "Report on corporate governance and the ownership structures", the detailed information indicated in paragraphs 1 and 2. Paragraph 5 of the cited article establishes that "companies that do not issue securities traded on regulated markets or multilateral trading facilities may omit publication of the information pursuant to paragraphs 1 and 2, with the exception of those under paragraph 2, letter b)."
Therefore, the information indicated under paragraph 2, letter b) of articles 123-bis of the TUF is presented, relative to the risk management and internal control systems in place with reference to the financial reporting process and the management, organisation and control model pursuant to Legislative Decree 231/2001 (231 Model), in application of Legislative Decree 262/05.
A portion of the risk management and internal control model for Alia's financial reporting is represented by the 231 Model, due to the nature of the model in question. In fact, article 6, paragraph 2 of Legislative Decree 231/2001 establishes that the model must "identify activities in the context of which crimes could be committed".
Alia has analysed the types of crimes and identified the company processes or areas in the context of which there is a risk of the crimes indicated in the Decree, including the crimes of false corporate communications (articles 2621 and 2621-bis, Civil Code) and false corporate communications from listed companies (article 2622, Civil Code).
Subsequently, for each of these processes/areas the individual sensitive activities and identified and the control and behavioural principles are identified that must be followed by all relevant individuals.
As reported in the section on the 231 Model, in 2023 the company continued to update the procedures called for in the organisation and control model and with its respect for the Code of Ethics.
Business outlook
Albeit in a market context that remains characterised by high economic and geopolitical uncertainty, the Group will continue its constant commitment to generating value for its stakeholders in 2024, focusing on developing and strengthening the Tuscan Multiutility project, pursuing targets for improvement of its performance and industrial strengthening, including through implementation of the new governance structure and the pursuit of synergy and efficiency achievable with integration.

In addition to the implementation of its strategies, the Group's results may be affected by further possible changes in the reference context such as, in particular, any new tariff measures issued by the Regulatory Authority, changes in the geopolitical and market context, trends in consumption, supplies, pricing and the policies for the procurement of commodities, as well as developments in the conflict between Russia and Ukraine, the geopolitical crisis involving the Middle East, and the macroeconomic scenario in general.

MARKET REGULATIONS

The following is a summary of the highlights of legislative changes in 2023 in relation to the various areas of Alia Group business.

TRANSVERSAL ISSUES

LEGISLATIVE DECREE NO. 201 OF 23 DECEMBER 2022 – REORGANISATION OF LOCAL PUBLIC SERVICES OF ECONOMIC SIGNIFICANCE – The measure serves to implement the parliamentary delegation set out by art. 8 of Law no. 118 of 5 August 2022 (Annual Law on Market and Competition 2021) and constitutes application of the NRRP. The provisions of the new Legislative Decree 201/22 apply to all services of general economic interest provided at local level and prevail over the industry regulations, integrating them as an expression of general standards, with the exception of specific regulations on protection and prevalence of the industry regulations. The measure does not apply to the natural gas distribution service. It defines local public services of economic significance as "services provided or likely to be provided for a financial consideration on a market, that would not be carried out without a public measure or would be carried out under different conditions in terms of physical and economic accessibility, continuity, non-discrimination, quality and safety, that local entities, within their remit, deem necessary to ensure the needs of local communities are met, so as to guarantee the homogeneity of development and social cohesion" and in reference to this a new framework regulation is established, as well as "services of general economic interest at local level on a network", or "services of general economic interest at local level that are likely to be organised through structural networks or functional connections required between the sites of production or performance of the service, subject to regulation by an independent authority". The measure sets out compliance not only with economic rules (competition, efficiency, affordability) but also those of subsidiarity and proportionality. Among other things, it contains provisions on transparency obligations of local entities, in relation to the acts and data concerning the awarding and management of public services, providing for a single access point through the platform managed by ANAC, in a dedicated section named "Transparency of local public services of economic significance".

LAW NO. 197/2022 ("2023 BUDGET LAW") – Contains economic measures for 2023. It also contains measures for countering energy price hikes, it sets aside resources to address the increase in contracting costs (for materials, fuel and energy products) through the increase in resources of the Fund for relaunching works that cannot be postponed. With reference to the public works sector, the measure is particularly important because it contains several provisions on updating price lists and reviewing works prices. It also contains measures on employment and retirement and on the environment.

LAW NO. 6 OF 13 JANUARY 2023 – URGENT MEASURES TO SUPPORT THE ENERGY SECTOR AND PUBLIC FINANCE (converting the so-called "AID DECREE-QUATER") – The measure follows those already issued during 2022 [Decree Law 50/22, converting Law 91/22 (so-called "Aid"); Decree Law 115/22, converting Law 142/22 (so-called "Aid-Bis"); Decree Law 144/22, converting Law no. 175/22 (so-called "Aid-Ter")] and contains additional urgent measures to address the increase in the costs of energy and natural gas and to support households and businesses, due to the economic effects of the ongoing crisis. It also introduces new changes for public works contracts. A contribution is envisaged in the form of a tax credit, in favour of businesses for the purchase of electricity and natural gas, for December 2022. It also contains provisions for the promotion of companies' transition towards alternative fuels, the promotion of biofuels, extensions of deadlines in the natural gas sector, and amendments to incentives for energy efficiency improvements.

DECREE LAW NO. 13 OF 24 FEBRUARY 2023 – URGENT PROVISIONS FOR IMPLEMENTATION OF THE NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP) AND OF THE NATIONAL PLAN FOR COMPLEMENTARY INVESTMENTS TO THE NRRP (CIP), AS WELL AS IMPLEMENTATION OF COHESION POLICIES. The changes introduced by the Decree range from the review of the NRRP governance system to the strengthening of the administrative capacity of parties called upon to implement the measures envisaged by the Plan. The main aim is to support the acceleration and simplification of implementation of the NRRP measures and related procedures, extending them also to implementation of Cohesion Policies (ESIF 2021-2027), the Common Agricultural Policy (CAP), and youth policy.

LAW NO.14 OF 27 FEBRUARY 2023 CONTAINING URGENT PROVISIONS ON LEGISLATIVE DEADLINES (SO-CALLED "MILLEPROROGHE" – THOUSAND EXTENSIONS). Among the measures that the law contains, we note the extension of remote working for vulnerable workers in the public and private sectors and the extension of the deadline for signing corporate or territorial collective bargaining agreements aimed at the reconfiguration of working hours due to different organisational and production needs of the business, or to promote worker relocation processes, where part of the working hours is used for training courses (New Skills Fund).

DECREE OF 3 MARCH 2023 OF THE MINISTRY OF ENTERPRISES AND MADE IN ITALY – INSTALMENT-BASED PAYMENTS OF BILLS – Simplified methods of access to instalment-based payments of electricity and natural gas bills. The Measure implements the provisions of Decree Law 176/2022, art. 3, which provided for the possibility to request for instalment-based payments of bills from electricity and gas providers for the companies listed in the business register, with users in Italy.

LEGISLATIVE DECREE NO.24 OF 10 MARCH 2023 – NEW WHISTLEBLOWING REGULATIONS – Implementation of Directive (EU) 2019/1937 of the European Parliament and of the Council, of 23 October 2019, on the protection of persons who report breaches of Union law and containing provisions on the protection of persons who report breaches of national legislative provisions. The measure was adopted in implementation of European Delegation Law 2021 and contains within a single text the provisions to protect authors of reports of breaches of national or Union law that harm public interest or the integrity of the public administration or private entity, discovered in a public or private work context. It gives rise to an organic and uniform regulation aimed at greater protection for whistleblowers. In this way, whistleblowers have more incentive to report offences within the limits and with the methods indicated in the decree.

MINISTERIAL DECREE 16 MARCH 2023 - "Methods for the functioning of the National Single Platform of electric vehicle charging stations – PUN". The decree defines the methods for ensuring the operation of the National Single Platform (PUN), where operators of infrastructure dedicated to electric vehicle charging provide users with all the information about charging stations, in order to ensure uniform and homogeneous conditions of access to information about electric charging infrastructure across the entire country.

DECREE LAW NO.34 OF 30 MARCH 2023 (SO-CALLED AID DECREE QUINQUIES) - Urgent measures in support of households and businesses for the purchase of electricity and natural gas, as well as on health and tax obligations. Among other things, it contains measures to reinforce the electricity and gas social bonus, the reduction of VAT and general charges in the gas sector for the second quarter of 2023, the contribution of a fixed amount in case of high gas prices, and a new taxation for electricity produced from agroforestry renewable sources.

LEGISLATIVE DECREE NO.36 OF 31 MARCH 2023 - NEW PUBLIC CONTRACTS CODE - Public Contracts Code in implementation of article 1 of Law no. 78 of 21 June 2022, delegating to the Government matters of public contracts. The adoption of the Code constitutes one of the enabling reforms of the National Recovery and Resilience Plan (NRRP), in which Italy undertakes with the European Union to review – by March 2023 – the current legislation on public contracts, with actions intended to: reduce the fragmentation of contracting authorities; create an e-platform as a basic requirement for taking part in the national assessment of procurement capacity; grant ANAC the power to review the qualification of contracting authorities; simplify and digitise the procedures of procurement centres and define criteria of interoperability and interconnectivity; review the regulations on subcontracting by reducing their restrictions. The code and its annexes entered into force on 1 April 2023, but the related provisions took effect on 1 July 2023.

LAW NO.41 OF 21 APRIL 2023 (SO-CALLED NRRP - ter) Urgent provisions for implementation of the National Recovery and Resilience Plan (NRRP) and of the National Plan for Complementary Investments to the NRRP (CIP), as well as implementation of cohesion policies and the common agricultural policy. In addition to performing a review of the NRRP governance system, the law contains a series of provisions intended to accelerate and streamline the NRRP procedures in various sectors, through a reduction in the approval times for works envisaged by the Plan on the one hand, and, on the other, the extension to all NRRP projects of certain simplification procedures that until now had been exclusively limited to investments for prisons, railways, and courts. The law also contains measures on public contracts, in particular on the review of prices and definitive guarantees. It also provides for measures on energy, in particular provisions on the installation of systems powered by renewable sources.

DECREE LAW NO. 48 OF 4 MAY 2023 ("LABOUR DECREE") - Urgent measures for social inclusion and access to the world of employment. Among other things, the new measures provide for the introduction of an inclusion allowance that will be due to households with at least one disabled person or minor or person over the age of 70 or person with a legal disability, new incentives for recruitment and a review of rules on transparency in employment contracts. The law introduces a change to the regulations on the universal single allowance. It also provides for new reasons for signing fixed-term employment contracts, the increase in the threshold of fringe benefits to € 3,000 for 2023, the reduction of the tax wedge and amendments to the regulations on occasional services in specific sectors. The legislation also introduces changes to Law 81/2008 on occupational health and safety

LAW NO.95 27 JULY 2023 (converting the so-called "REGASIFICATION DECREE") - Urgent measures for territorial entities, as well as to ensure the prompt implementation of the National Recovery and Resilience Plan and for the energy sector. The measures include the reopening of deadlines to request authorisation to construct or operate, including following relocation, floating storage and regasification units from the appointed Special Commissioners of the Government. The measure contains urgent measures to contain the price increase in the electricity and natural gas sectors. The law also contains measures on energy production from plants powered by biogas and biomass and measures to increase the production of biomethane in addition to the use of alternative energy products.

LAW NO. 136 OF 9 OCTOBER 2023 (converting the so-called "ASSETS DECREE") - Urgent provisions to protect users, on economic and financial assets and strategic investments. It contains measures in favour of plants powered by renewable sources and measures to encourage the production of energy from renewable sources in addition to measures on incentives for energy efficiency.

Decree of the Ministry of Enterprises and Made in Italy of 29 September 2023 (MINISTERIAL DECREE ON THE LAUNCH OF THE REGISTER OF BENEFICIAL OWNERS), containing "Certification of the operations of the communication system for data and information on beneficial ownership", which governed the methods of communication, access and consultation of data and information about the beneficial ownership of companies, private legal persons and trusts (in addition to their related institutes), in implementation of the provisions of art. 3, paragraph 6 of Ministerial Decree 55/2022, through the Register of Beneficial Owners envisaged by Legislative Decree 231/2007.

LAW NO. 169 OF 27 November 2023 (converting the so-called "ENERGY DECREE") - Urgent measures on energy, actions to support purchasing power and to protect savings. It contains urgent measures to contain the effects of price hikes in the electricity and natural gas sector, in addition to a reform of the regime of concessions in favour of energy-intensive companies.

LAW NO. 170 OF 28 NOVEMBER 2023 (converting the so-called "EXTENSIONS DECREE") – Urgent provisions on extension of regulatory deadlines and tax payments. It contains urgent measures on an extraordinary contribution, in the form of a tax credit, in favour of companies for the purchase of electricity and natural gas, in addition to extending the deadlines on agile working for vulnerable workers.

DECREE LAW 181/2023 – ENERGY DECREE LAW 9 December 2023 - Provisions for the energy security of Italy, the promotion of recourse to renewable energy sources, support for companies with high energy consumption and on reconstruction in territories affected by exceptional flooding on and after 1 May 2023. Among other things, it contains measures to promote the self-production of renewable energy in energy-intensive sectors at risk of delocalisation, measures to strengthen security of procurement of natural gas and provisions to encourage regions to host renewable energy plants.

LAW 145/2023 (SO-CALLED "FISCAL DECREE") 16 December 2023 - Urgent measures on the economy and tax, in favour of territorial entities, to protect employment and non-delayable requirements. The law contains provisions in favour of citizens affected by the disastrous events of 2 November 2023 relating to tax obligations and payments and extends the deadlines for the return of the gas stored by GSE pursuant to art. 5-bis of Decree Law no.50 of 5 May 2022.

Law 30 December 2023 no. 214 – "ANNUAL LAW ON MARKET AND COMPETITION 2022" - The law contains provisions on energy, with particular reference to the procedure for approving development plans of the gas transport network and the national electricity transmission grid, as well as consumer information campaigns on the potential of second generation smart meters; it contains regulations on transport, waste and communications, as well as on retail trade. Among others, there are provisions relating to the powers of the AGCM. It should be noted that certain measures contained in the law (in particular under articles 1 and 2) contribute to implementation of the NRRP. The protection and promotion of competition are essential factors for promoting efficiency and economic growth, to protect consumer interests and to create greater social justice while increasing the possibilities of accessing the market. Competition is also protected and promoted through the revision of laws and regulations that hinder the proper functioning of the market.

2024 BUDGET LAW (LAW NO. 213 OF 30 DECEMBER 2023)

Superbonus

- Taxation on homes renovated with the superbonus and resold within five years from the end of the works: the capital gain from the resale will be taxed at 26%, a measure intended to prevent property speculation, only applicable if the option for the discount in the invoice or to transfer the credit was used, excluding deduction of declared expenses.

Income and tax support

- Partial exemption of social security contributions by employees
- Tax measures for corporate welfare
- Tax cut on performance bonuses

Households
- Extraordinary contribution for the first quarter of 2024 to holders of the electricity social bonus

Businesses
- Higher deductions between 120% and 130%, for permanent recruitment of young people, women, workers in disadvantaged categories and former recipients of universal basic income;
- 1.8 billion allocated for the tax credit for businesses that invest in capital goods intended for production facilities active in the territories included within the single special economic zone (ZES) in Southern Italy;
- Additional resources envisaged also for development contracts, the new capital goods measure ("Nuova Sabatini") and the sustainable growth fund;
- Entry into force of the plastic and sugar tax postponed until 1st July 2024.

EUROPEAN FRAMEWORK

COMMISSION DELEGATED REGULATION (EU) 2023/2486 OF 27 JUNE 2023, WHICH SUPPLEMENTS THE TAXONOMY REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL The regulation establishes the technical screening criteria for determining the conditions under which an activity qualifies as contributing substantially to the implementation of the environmental targets envisaged by aforesaid regulation (EU) 2020/852. The act also amends Commission Delegated Regulation (EU) 2021/2178, which governs the methods of communication to the public of specific information relating to the economic activities included within the taxonomy.

DIRECTIVE (EU) 2023/1791 OF 13 SEPTEMBER 2023 ON ENERGY EFFICIENCY - The measure, part of the Fit for 55 package, provides a common framework of measures to promote energy efficiency in the Union in order to guarantee the achievement of the Union objectives on energy efficiency and allows additional improvements in energy efficiency. The main new changes introduced include:
- Legally binding EU target to reduce the final energy consumption of the EU by 11.7% by 2030
- Member States must ensure that the total final energy consumption of public entities as a whole is reduced by at least 1.9% per year compared to 2021.
- Member States must extend to all levels of public administration the obligation of building renovations by 3% per year.
- Member States require all owners and operators of data centres in their territory, with an installed power requirement of at least 500 kW, to disclose certain information including energy consumption, use of power, temperature settings and the use of waste heat, water, and renewable energy.
- In each national NIECP, countries must present to the Commission a global assessment of the heating and cooling potential, also identifying the plants that produce waste heat or cold

DIRECTIVE (EU) 2023/2413 OF 2 NOVEMBER 2023, RED III (RENEWABLE ENERGY DIRECTIVE III) - Provides for a series of changes for Member States in the renewable energy sector, in particular as regards their promotion and the increase of their quota in the Union energy mix. The main objectives include:
- Bring the share of renewable energy to 42.5% of final energy consumption by 2030.
- Simplify the authorisation procedures for projects linked to renewable sources.
- Target of 49% renewable energy by 2030 for building heating and cooling sectors.
- Target of 5.5% for the share of renewables supplied in transport for advanced biofuels and renewable fuels of non-biological origin, such as green hydrogen and synthetic fuels containing H2. This objective includes a minimum requirement of 1% for renewable fuels of non-biological origin.
- Increase in the use of renewable energy by 1.6% each year for the industrial sector. Member States undertake to ensure that 42% of the hydrogen used in the industry comes from renewable fuels of non-biological origin by 2030, rising to 60% by 2035. Furthermore, Member States can reduce the contribution of such fuels in industrial use by 20% if they meet certain conditions.

Furthermore, Member States will have two options by 2030:
- reduce the intensity of greenhouse gas by 14.5% using renewable energy
- reach at least 29% of renewable energy in the end consumption of energy in the sector.

INDIVIDUAL BUSINESS TOPICS

<u>**Environment**</u>

MINISTERIAL DECREE 4/2023 OF 4 APRIL 2023 - Introduction of the new waste traceability system and the National Electronic Register for Waste Traceability (RENTRI) pursuant to article 188-bis of Legislative Decree no. 152 of 3 April 2006.

RESOLUTION 263/2023/E/RIF OF 13 JUNE 2023 - Requirements for the implementation of territorial databases for integrated waste management, implemented by Alia in cooperation with the TC OTA.

RESOLUTION 385/2023/R/RIF OF 3 AUGUST 2023 – Definition of the standard service contract for the regulation of relations between awarding bodies and operators of the municipal waste service (provisions on essential minimum content).

RESOLUTION 386/23/R/RIF OF 3 AUGUST 2023 - Introduction of the equalisation mechanism to 2023 bills, applying the relative unitary balancing components for all utilities.

RESOLUTION 387/2023/R/RIF OF 3 AUGUST 2023 – Introduction of monitoring and transparency obligations on the efficiency of separate waste collection and on municipal waste treatment plants.

RESOLUTION 389/2023/R/RIF OF 3 AUGUST 2023 – Definition of the rules and procedures for the two-yearly update (2024-2025) of tariff revenues of reference and access tariffs to "minimum" plants to close the cycle, or "intermediate" plants from which flows indicated as entering "minimum" plants to close the cycle originate.

TUSCANY REGION RESOLUTION 68/2023 OF 27 SEPTEMBER 2023 – Adoption of the "Regional plan for waste management and reclamation of polluted sites – Plan for the circular economy" pursuant to article 19 of Regional Law 65/2014.

RESOLUTION 487/2023/R/RIF OF 25 OCTOBER 2023 - Introduction of new updated parameters to recognise the MTR WACC component.

JUDGEMENT NO. 10550/2023 OF THE COUNCIL OF STATE OF 6 DECEMBER 2023 – Confirmation, on minimum plants, of the request to cancel ARERA resolution 363/2021, to approve the tariff method (MTR-2) for 2022-2025.

RESOLUTION 621/2023/E/RIF OF 29 DECEMBER 2023 - Initial proceeding for the gradual extension of the protection system to the urban waste sector for empowerment and resolution of disputes with customers and end users in regulated sectors.

<u>**Natural gas sales**</u>

RESOLUTION 14 MARCH 2023 - 100/2023/R/COM - Provisions for the removal of the natural gas protection service, the definition of conditions of supply of natural gas to vulnerable customers and the adjustment of reporting obligations for electricity and gas
This measure defines the missing aspects of application for the launch of the reform of the processes of conferment of capacity to city gates on 1 October 2023.

RESOLUTION 14 MARCH 2023 - 102/2023/R/GAS - Provisions for the identification of vulnerable customers on the market
This measure defines the methods used to identify vulnerable customers in the natural gas sector.

RESOLUTION 30 MARCH 2023 - 137/2023/R/GAS - Update of the QVD component of the economic conditions for the natural gas protection service
This measure defines the values of the QVD component to cover the costs of marketing the natural gas sales service to customers who benefit from the protection service in force from 1 April 2023.

RESOLUTION 30 MARCH 2023-138/2023/R/GAS – Methods for repayment of the advance on amounts relating to the default reintegration mechanisms for the transport default service, the distribution default service and the last resort supply service set out by Authority resolution 639/2022/R/gas
Methods for repayment of the advance on amounts relating to the default reintegration mechanisms for the transport default service, the distribution default service and the last resort supply service set out by Authority resolution 639/2022/R/gas.

RESOLUTION 9 MARCH 2023 - 8/2023 – DMRT - Definition of the transmission methods by protected market operators of information to be provided for the purposes of competitive procedures for the awarding of the incremental protection service for domestic customers in the electricity sector as per Law no. 124/17
This resolution defined the methods of transmission by protected market operators of information to be provided for the purposes of tenders for the awarding of the incremental protection service for domestic customers in the electricity sector, in light of the closure of the higher protection service from 2024.

RESOLUTION 18 APRIL 2023 -169/2023/R/GAS - Determination of the CCR components and the variable unit charge CRVOS, from 1 October 2023, and amendments to the TIVG and to Annex A to Authority resolution 100/2023/R/com
The resolution approves the amounts for the CCR components under article 6bis of the TIVG and CRVOS pursuant to article 36.1 of the RTTG with effect from 1 October 2023.

RESOLUTION 25 JULY 2023 - 345/2023/R/EEL - Approval of the Integrated Text on Electricity Dispatching (TIDE)
This measure approves the Integrated Text on Electricity Dispatching (TIDE), which will replace resolution 111/06 from 1 January 2025.

<u>Electricity sales</u>

RESOLUTION 31 JANUARY 2023 - 29/2023/R/EEL - Urgent measures on the switching procedure in event of exit from the electricity safeguarding service
This measure contains urgent measures on the switching procedure in event of exit from the electricity safeguarding service.

RESOLUTION 28 FEBRUARY 2023 - 74/2023/R/EEL - Amendment of the application deadline of the provisions of the TIQV to end customers of the incremental protection services for micro-businesses in the electricity sector.
This measure amends the deadline for the application of the provisions of the TIQV on end customers of the incremental protection services for micro-businesses considering the postponed activation of the service in question envisaged by resolution 586/2022/R/eel.

RESOLUTION 30 March 2023- 135/2023/R/EEL – Update, for the quarter 01 April – 30 June 2023, of the economic conditions of the sale of electricity in higher protection. Determination of the δ parameter and of the CPSTGM fee for the incremental protection service for micro-enterprises, the CPSTG parameter for the incremental protection service for small enterprises and changes to the TIV
Update, for quarter 01 April – 30 June 2023, of the economic conditions of the sale of electricity in higher protection. Determination of the δ parameter and CPSTGM fee for the incremental protection service for micro-enterprises, the CPSTG parameter for the incremental protection service for small enterprises and changes to the TIV.

RESOLUTION 30 MARCH 2023 - 136/2023/R/EEL - Update of the RCV and DISPbt components and of the PCV fee related to the marketing of electricity. Amendments to the TIV
This measure defines the values of the RCV and DISPbt components and of the PCV fee related to the activity of marketing the electricity sales service in force starting from 1 April 2023.

RESOLUTION 11 APRIL 2023 - 154/2023/R/EEL - Determination of the final tariffs of reference for the services of distribution and metering of electricity, for the year 2022
The measure approves the final tariffs of reference for the electricity distribution and metering services for the year 2022 related to distributor companies with an individual tariff regime.

RESOLUTION 11 APRIL 2023- 153/2023/R/COM - Implementation of Prime Ministerial Decree 15 March 2023, in implementation of article 14-bis of Decree Law no. 4 of 27 January 2022, converted with amendments by Law no. 25 of 28 March 2022 - Fund for support for households of people with a serious illness who use electricity for life-supporting medical equipment. Amendments to Annex D to Authority Resolution 63/2021/R/com
Implementation of Prime Ministerial Decree 15 March 2023, in implementation of article 14-bis of Decree Law no. 4 of 27 January 2022, converted with amendments by Law no. 25 of 28 March 2022 - Fund for support for households of people with a serious illness who use electricity for life-supporting medical equipment. Amendments to Annex D to Authority Resolution 63/2021/R/com.

RESOLUTION 28 JUNE 2023 - 302/2023/R/EEL – Update, for quarter 1 July – 30 September 2023, of the economic conditions of the sale of electricity in higher protection and changes to the TIV
This resolution updates, for the quarter 1st July to 30th September 2023, the economic conditions of the sale of electricity in the context of the higher protection service and makes changes to the TIV.

RESOLUTION 3 AUGUST 2023 - 362/2023/R/EEL – Provisions for the incremental protection services to non-vulnerable domestic customers in the electricity sector, as per Law no. 124 of 4 August 2017 (annual law for the market and competition)
This measure defines the regulation of the incremental protection services for non-vulnerable domestic customers set out by Law 124/17 and the methods for awarding it through competitive procedures.

RESOLUTION 3 August 2023 - 383/2023/R/EEL - Provisions for the identification of vulnerable customers on the electricity market
The measure is part of the procedure launched by the Authority with resolution 396/2019/R/eel, for the adoption of measures intended to regulate the then safeguarding service for domestic end customers and businesses connected via low voltage with less than 50 employees and an annual turnover no greater than 10 million euro, and contains provisions for the identification of vulnerable customers on the electricity market.

RESOLUTION 28 SEPTEMBER 2023 - 427/2023/R/eel – Update, for quarter 1 October – 31 December 2023, of the economic conditions of the sale of electricity in higher protection. Determination of the CPSTGM fee for the incremental protection service for micro-enterprises, the CPSTG fee and α parameter for the incremental protection service for small enterprises, changes to the TIV and Authority resolution 362/2023/R/eel
This measure updates, for the quarter 1st October to 31st December 2023, the economic conditions of the sale of electricity in the context of the higher protection service and makes changes to the TIV.

RESOLUTION 3 OCTOBER 2023 - 437/2023/R/eel - Provisions on the methodology for defining the capacity market exercise price, pursuant to Authority resolution 363/2019/R/eel
This resolution confirmed until 31 December 2023 the amendments and supplements to resolution 363/2019/R/eel, introduced with resolution 83/2022/R/eel, in relation to the methodology for determining the capacity market exercise price.

RESOLUTION 28 NOVEMBER 2023 - 549/2023/R/eel – Completion of the regulation of the incremental protection service for non-vulnerable domestic customers in the electricity sector as per Law no. 124 of 4 August 2017 and amendments to Annexes A and C to Authority resolution 362/2023/R/eel
This measure completes the rules for the awarding of the incremental protection services for non-vulnerable domestic customers by establishing the value of the CSem fee and the maximum ceiling values to be applied to offers formulated during tenders.

RESOLUTION 19 DECEMBER 2023- 600/2023/R/eel – Review of the time frames for activating the incremental protection service for non-vulnerable domestic customers in the electricity sector as per Law no. 124 of 4 August 2017. Amendments to Authority resolution 362/2023/R/eel and related annexes A, B, C, and D
This measure defines the new time frames for activating the incremental protection services for non-vulnerable domestic customers in the electricity sector as per Law no. 124 of 4 August 2017, establishing it as 1 July 2024, and amends resolution 362/2023/R/eel and its annexes.

Natural gas and electricity sales

RESOLUTION 31 JANUARY 2023- 23/2023/R/COM - Implementation of the provisions of article 1, paragraph 18 of Law no. 197 of 29 December 2022 on recognition of the electricity and gas social bonuses due to economic hardship for the year 2023
The resolution establishes the methods for recognition of the social bonuses for the first quarter of 2023 in implementation of the 2023 Budget Law.

RESOLUTION 28 FEBRUARY 2023 - 76/2023/R/COM
Implementation of the provisions set out by article 1, paragraph 6 of Law no. 197 of 29 December 2022
This Resolution in implementation of the provisions of the 2023 Budget Law, in line with Authority resolutions 373/2022, 474/2022 and 669/2022/R/com, defines the minimum content of communication on the tax credit that sellers must send to the applicant customer businesses, in addition to the sanctions in the event of non-compliance.

RESOLUTION 30 MARCH 2023 - 134/2023/R/COM
Update, from 1 April 2023, of the tariff components destined to cover the general expenses and of further components of electrical sector and the gas sector. Provisions on TIVG.
Urgent provisions referring to electricity and gas bonus. Provisions referring to the Energy and Environmental Services Fund. Changes to RTDG.
Update, from 1 April 2023, of the tariff components destined to cover the general expenses and of further components of electrical sector and the gas sector. Provisions on TIVG. Urgent provisions referring to electricity and gas bonus. Provisions referring to the Energy and Environmental Services Fund. Changes to RTDG.

RESOLUTION 09 MAY 2023 - 194/2023/R/COM
Implementation of the provisions of article 1, paragraph 2 of Decree Law no. 34 of 30 March 2023 on raising the ISEE (income) threshold for access to electricity and gas social bonuses for large families and amendment to article 6, paragraph 2 of Annex A to Authority resolution 63/2021/R/com
The measure implements the increase of the ISEE (income) threshold for access by so-called large families to energy bonuses, introduced by Decree Law no. 34/23, and introduces amendments to Annex A to resolution 63/2021/R/com on eligibility checks for the purposes of recognition of the gas bonus to indirect customers.

RESOLUTION 19 MAY 2023 - 216/2023/R/COM RESOLUTION
Urgent provisions on electricity, gas and water services and the integrated management system of municipal waste, in the territories affected by the exceptional weather events in May 2023
The measure contains urgent provisions on electricity, gas and water services and the integrated cycle of municipal waste, in favour of the populations in the territories affected by the exceptional weather events in May 2023.

RESOLUTION 06 JUNE 2023 - 250/2023/R/COM
Provisions on early withdrawal charges for electricity contracts and renewal of the economic conditions in electricity and natural gas contracts and supplements to Authority Resolution 100/2023/R/com
Provisions on early withdrawal charges for electricity contracts and renewal of the economic conditions in electricity and natural gas contracts and supplements to Authority Resolution 100/2023/R/com

RESOLUTION 13 June 2023 - 259/2023/R/COM
Urgent provisions on electricity, gas and water services and the integrated management system of municipal waste, in favour of populations affected by the exceptional weather events on and after 1 May 2023
This Resolution in implementation of the provisions of the Decree Law Aid-quinques, in line with Authority resolutions 373/2022, 474/2022, 669/2022/R/com and 76/2023/R/com, defines the minimum content of communication on the tax credit that sellers must send to the applicant customer businesses, in addition to the sanctions in the event of non-compliance.

RESOLUTION 28 June 2023 - 297/2023/R/COM
Update, from 1 July 2023, of the tariff components destined to cover the general expenses and of further components of electrical sector and the gas sector. Provisions on RTTG components. Provisions referring to the Energy and Environmental Services Fund

This resolution updates, for the third quarter of 2023, the electricity and gas general charges, in addition to the social bonuses for the same quarter.

RESOLUTION 28 June 2023 - 304/2023/R/COM
Amendments and supplements to Authority resolution of 13 June 2023, 267/2023/R/com, containing “urgent provisions on electricity, gas and water services and the integrated management system of municipal waste, in favour of populations affected by the exceptional weather events on and after 1 May 2023”
In consideration of the methods and time frames for tariff collection adopted by certain operators and relations with users and the critical issues that could arise from suspension of the payment deadlines until 31 August 2023, this resolution supplements, with exclusive reference to the sector of municipal waste, the eligibility conditions for requesting advances from the CSEA.

RESOLUTION 03 AUGUST 2023 – 390/2023/R/EEL
Extension of the suspension of the payment terms in favour of populations most affected by the exceptional weather events on and after 1 May 2023
The measure provides for the extension of the suspension of payment deadlines until 31 October 2023 in favour of account holders of utilities and supplies of electricity, gas, including different gases distributed via channel networks, in addition to utilities of integrated water service and the IIS and the integrated municipal waste management service located in the Municipalities or districts of Municipalities set out in Annex 1 to Decree Law 61/23 who have suffered major damage caused by the exceptional weather events on or after 1 May 2023.

RESOLUTION 28 SEPTEMBER 2023– 429/2023/R/com
Update, from 1 October 2023, of the tariff components destined to cover the general expenses and of further components of electrical sector and the gas sector. Provisions on the TIVG and RTTG components. Provisions referring to the Energy and Environmental Services Fund.
With this resolution, the Authority sets out the quarterly update of the general charges for the electricity and gas sector in addition to the social bonuses of the two sectors, for the fourth quarter of 2023.

RESOLUTION 28 December 2023– 622/2023/R/com
Review of the methods for updating the social bonuses and amendments to Authority resolution 63/2021/R/com
This resolution amends the methods for updating and quantifying the social bonuses and to protect customers/users reviews certain operating methods of recognition of the social bonuses governed by Annexes A, B, C and D under resolution 63/2021/R/com.

RESOLUTION 28 December 2023– 633/2023/R/com
Update, from 1 January 2024, of the tariff components destined to cover the general expenses and of further components of electrical sector and the gas sector. Provisions on the TIVG and RTTG components. Provisions referring to the Energy and Environmental Services Fund
This resolution updates the TIPPI, RTTG and RTDG tariff components for the first quarter of 2024 and the social bonuses for the year 2024. Provisions referring to the Energy and Environmental Services Fund.

RESOLUTION 05 DECEMBER 2023 - 576/2023/R/eel
Provisions on the alignment of functional data for management of the supply of higher protection customers and compensation associated with the management of misalignment following the transition of the service to incremental protection for non-vulnerable domestic customers
This resolution introduced methods for verifying and aligning within the Official Central Register (RCU) of the Integrated Information System (IIS), information related to the contact details of domestic end customers in the electricity sector, in light of the transition to the incremental protection services for non-vulnerable customers. The measure is intended to prevent misalignment in the data transferred to new operators, with a mass verification of data present in the RCU by the higher protection operators and a misalignment management system that provides for indemnities at their expense.

RESOLUTION 12 DECEMBER 2023 -583/2023/R/eel
Provisions on the methodology for defining the capacity market exercise price, pursuant to Authority resolution 399/2021/R/eel
This measure made amendments and supplements to resolution 399/2021/R/eel, in relation to the method for determining the exercise price set out by article 9 of resolution ARG/elt 98/11, for year of delivery 2024.

Decision 22 December 2023 - 94/2023 - DAGR
Definition of the operating methods relating to reimbursement of the contribution for the functioning of the Regulatory Authority for Energy, Networks and the Environment (ARERA) for the year 2023
With this resolution, ARERA requires all operators in the electricity and gas sectors involved in repayment of the overpaid contribution, to send to the Authority specific data related to the contribution for the year 2023 (amount already paid, amount to be returned, IBAN of the bank where the sum should be deposited), using the communication information system of the Authority, in order to then return the amounts subject to reimbursement. The resolution also requires that the entire amount for sums paid up to € 167.00 be reimbursed.

Natural gas distribution

Resolution 29 December 2022 - 737/2022/R/gas – Interim update to the tariff regulation of the gas distribution and metering services, for the 2023-2025 three-year period. Approval of the RTDG for the 2023-2025 three-year period and amendments to the Standard Network Code for the gas distribution service.
The measure approves the new version of the regulation on tariffs for gas distribution and metering services for the regulatory period (RTDG), for the 2022-2025 three-year period, downstream of the changes to definition of the standard costs of electronic metering units, parameter-based recognition of the costs of remote management/reading system and concentrators, recognition of the residual value on initial installation smart meters disposed of early.

SMART METERING - Following the publication of Res. 269/2022/R/gas, which had defined new outputs and performance of the metering service, no additional measures were issued on smart metering; guidelines are being assessed on the transition from the annual treatment (MY) to a monthly one (MM) of small-sized smart meters (G4 and G6) for settlement purposes following approval of resolution 269/2022/R/gas.

Integrated Information System (IIS) - During 2023, in line with 2022, the central role of the IIS was strengthened further and new developments were introduced. The most significant changes included: creation of the concept of inconsistent withdrawals in relation to the metering unit, for all types of treatment, and new freeze mechanism on balancing missing or anomalous withdrawals (pursuant to the provisions of resolution 555/2022/R/gas);
launch of the coefficient k for delivery points equipped with a volume corrector; multiplying factor of the maximum plausible withdrawals based on the operating pressure of the utility.

Resolution 28 December 2023 - 631/2023/R/gas – Update of the tariffs for the gas distribution and metering services, for the year 2024
The measure approves the obligatory tariffs for the natural gas distribution, metering and marketing services, the tariff options for different gases, and the amounts of bi-monthly equalisation in advance related to the natural gas distribution service, for the year 2024.

Supply, transportation and storage of natural gas

Gas Settlement

RESOLUTION 28 FEBRUARY 2023 - 72/2023/R/GAS – Final provisions on the reform of the processes of conferment of capacity at the points of delivery of the transport network.
This measure defines the missing aspects of application for the launch of the reform of the processes of conferment of capacity to city gates on 1 October 2023.

RESOLUTION 19 SEPTEMBER 2023 - 405/2023/R/gas - Provisions referring to the calculation of economic adjustments for the year 2022 and provisions referring to the Energy and Environmental Services Fund (CSEA)
This resolution approved provisions for Snam Rete Gas for settlement by 2023 of the economic settlement items for the year 2022, taking into account the adjustment requests received by 22 September 2023 and providing communication of the related amounts to the Authority by 4 October; related accounting documents and information should be published by 31 October. Furthermore, for the period January-September 2022, resolution 170/2023/R/gas will not apply, since the related items are included in the aforesaid regulation.

ARERA RESOLUTION 494/2023/R/gas – Amendments and supplements to the provisions on the accountability of distribution companies in the management of the in-out delta
With the resolution, ARERA made amendments and supplements to the provisions on the accountability of distribution companies in the management of the in-out delta.

Transport of natural gas

RESOLUTION 07 MARCH 2023 - 90/2023/R/GAS - Urgent provisions on the transport default service
This measure provides for the extension until 30 September 2023 of the provisions set out by points 1. and 2. of Authority resolution 493/2022/R/gas and of the provisions set out by point 3. of Authority resolution 516/2022/R/gas.

RESOLUTION 4 APRIL 2023 -139/2023/R/GAS
Criteria for tariff regulation for the service of transport and metering of natural gas for the sixth regulatory period (2024-2027)
This measure adopts the tariff regulation criteria for the natural gas transport service for the sixth regulatory period (6PRT, 2024-2027), following the proceeding launched with resolution 617/2021/R/gas of 23 December 2021.

RESOLUTION 18 JULY 2023 - 319/2023/R/GAS
Provisions on conferment of interim capacity at the delivery points of the transport network directly connected to industrial users and to thermoelectric users
With this resolution, the methods and time frames for conferment of the monthly and daily capacity products already in force at the delivery points of the transport network that supply thermoelectric users are also extended to industrial users; furthermore, the quarterly product is made available for both aforesaid users by 1 January 2024.

Natural gas storage

RESOLUTION 9 MARCH 2023 - 93/2023/R/GAS - Urgent measures for conferment of storage capacity
With this measure, following on from the provisions of the latest guideline of the Italian Ministry of the Environment and Energy Security (March 2023), measures are introduced to encourage storage filling in light of thermal year 2023/2024.

RESOLUTION 04 APRIL 2023 150/2023/R/GAS - Provisions for the conferment of storage capacity for thermal year 2023/2024
With this measure, taking into account the provisions of Decree 31 March 2023, the provisions related to the conferment of storage capacities for thermal year 2023/2024 are approved.

RESOLUTION 6 JUNE 2023 - 247/2023/R/EEL - Criteria and conditions for the functioning of the forward provisioning system of electricity storage capacity, pursuant to article 18 of Legislative Decree no. 210 of 8 November 2021
With this resolution, ARERA approved the criteria and conditions for the functioning of the forward provisioning system of electricity storage capacity, pursuant to article 18 of Legislative Decree no. 210 of 8 November 2021. The resolution confirms the general configuration outlined in Consultation Document 393/2022/R/eel, with several amendments and supplements in light of the observations received.

Renewable energy systems

DECREE LAW no. 181 9 December 2023 - Urgent provisions for the energy security of Italy, the promotion of recourse to renewable energy sources, support for companies with high energy consumption and on reconstruction in territories affected by exceptional flooding on and after 1 May 2023.
Chapter I contains various structured measures on energy, intended to guarantee and implement the security of the energy system and support for renewable sources, including with the introduction of additional simplifying measures for the related authorisation procedures.

European context

DIRECTIVE (EU) 2023/2413 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 18 OCTOBER 2023
The directive introduces changes to European legislation on renewable sources, with the aim of reducing greenhouse gas emissions, energy dependence, and promoting the green transition towards an economy based on renewable energy.

Energy and Energy Efficiency Services

Resolution 727/2022/R/eel of 27 December 2022 - Definition, pursuant to Legislative Decree 199/21 and Legislative Decree 210/21, of the regulations on widespread self-consumption. Approval of the Integrated Text on Widespread Self-Consumption.
The resolution defines, pursuant to Legislative Decree 199/21 and Legislative Decree 210/21, the regulations on widespread self-consumption, and therefore approved the Integrated Text on Widespread Self-Consumption (TIAD). The ARERA measure defines the regulatory model related to the configurations in which self-consumption can be developed.

DECREE LAW no. 11 of 16 February 2023 - Urgent measures on transfer of credits pursuant to article 121 of Decree Law no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020.
The decrease led to a freeze on the transfer of the credit and the discount in the invoice. From 17 February 2023 it is no longer possible to transfer the credit nor apply the discount to the invoice for works that were previously subsidised (art. 121, para. 2): recovery of heritage property, energy efficiency, anti-seismic measures; recovery or restoration of façades, installation of photovoltaic systems, charging stations.

DECREE OF 8 AUGUST 2023 - NATIONAL ENERGY INCOME FUND
Decree of the Ministry of the Environment and Energy Security which established the National Energy Income Fund: the objective of the measure is to subsidise households in financial difficulty, for the installation of photovoltaic systems set up for self-consumption. GSE is the operator of the activities for the operation of the Fund, and is assigned initial financial resources of € 200 million for years 2024 and 2025.

DECREE LAW 212 of 29 December 2023 - Urgent measures for tax subsidies pursuant to articles 119, 119-ter and 121 of Decree Law 34 of 19 May 2020, converted with amendments by Law 77 of 17 July 2020.
Decree Law 212/2023 makes changes to the regulations on the Superbonus with the aim of finding a solution for taxpayers who have works ongoing at 31 December 2023.

European Context

Directive (EU) 2023/1791 on energy efficiency
Directive forming an integral part of the Fit for 55 package and that imposes a binding EU target comprising the 11.7% reduction in final energy consumption of the entire European Union by 2030 compared to 2020 levels. In level terms, the maximum limit of energy consumption in the Union must not exceed 763 million tonnes of oil equivalent (Mtoe) of final energy and 993 million tonnes of oil equivalent (Mtoe) of primary energy.

Telecommunications

RESOLUTION 41/23/CONS OF 22 February 2023. Resolution no. 41/23/CONS once again updates the list of contestable Municipalities on the wholesale local and central access services markets on the basis of the criteria defined in resolution no. 348/19/CONS (which introduced, under article 17, a geographic differentiation of the regulation relating to the obligation of control of prices in a sub-group of Municipalities, identified as most competitive).

RESOLUTION 162/23/CONS OF 27 JUNE 2023. Launch of the procedure and the public consultation concerning the definition of technical standards for fibre optic cables which must be followed by the successful tenderers in the tenders for the creation of network infrastructure.

EUROPEAN FRAMEWORK

- Regulatory Proposal of the European Parliament and of the Council containing measures to reduce the installation costs of Gigabit electronic communication networks and repealing Directive 2014/61/EU (regulation on Gigabit infrastructure).
- Adopted by the Council on 18 July 2022, the Digital Markets Act (DMA) came into force on 2 May 2023, aiming to ensure contestable and fair markets in the digital sector. In particular, it defines clear standards for large platforms, "gatekeepers" that provide so-called "basic platform services", in order to ensure that they do not abuse their position, for example by promoting their own products or preventing users from installing external applications.

Risks and uncertainties

• **Legislative and regulatory risk**

The Group operates in a strongly regulated sector. Among the risk factors in its operations is therefore the not always foreseeable constant evolution of the laws and regulations applying to the electricity and natural gas sectors as well as the sectors involved in operating environmental services and the production of energy from renewable sources. The effects of changes in the regulatory framework, for example, can involve market operating methods, tariff plans, the quality of service levels required and obligations of a technical-operational nature. Regulatory changes resulting in conditions that are unfavourable for sector operators can have negative effects on the Group's financial position in terms of lower revenue, reduced margins and/or the abandonment of initiatives already in progress. Given these risk factors, the Group adopts a policy of monitoring and managing legislative risk, in order to mitigate as much as possible its effects, through an articulated monitoring on several levels which provides for collaborative dialogue with the institutions and the government and regulatory organizations of the sector, the active participation in associations and work groups established within these entities, and examination of legislative changes and the provisions issued by the sector Authority.
Moreover, constant dialogue is held with business units interested in the legislative changes, in order to appropriately assess potential impacts. Some of the main areas on which legislative changes focus are listed below:

- the laws regarding assignment of concessions for the gas and electricity distribution service;
- the regulation of economically significant local public services;
- changes in the market regulations regarding Green Certificates;
- the issues set forth in the European Union's Third Energy Package.

• **Risks associated with the expiry of gas distribution concessions/contracts held by Estra and other Group companies.**

With the exception of trading of natural gas, the performance of these activities in Italy is subject to concessions or authorisations. In particular:
(a) the natural gas distribution activities, and the technical/operational management of LPG distribution networks are performed on the basis of concessions issued by local public authorities;
(b) the sale of natural gas and electricity, the sale of LPG, the production of electricity from renewable sources, the technical/operational management of telecommunication networks and marketing of telecommunication services, the management of heating plants owned by third parties (in particular, heat management services) and heat management, energy redevelopment and efficiency activities are carried out subordinately to obtaining specific authorisations from the authorities competent each time.

Therefore, the Group is exposed to risks connected with the award, maintenance and loss of concessions and authorisations and with expired concessions.
In particular:

a) Risks connected with the award, maintenance and loss of concessions and with expired concessions
It cannot be guaranteed that the concessions that the Group holds will be granted to the Group again when they expire, or that any renewals will be obtained at economic conditions equal to the existing ones. In addition, the Group may need to obtain further concessions, permits and/or authorisations, the procedures of which are often long, costly, complex and with unforeseeable results.

b) Risks connected with the award, maintenance and loss of authorisations

The activities of sale of natural gas and electricity, sale of LPG and management of photovoltaic plants for electricity production are carried out by the Group subordinately to obtaining specific authorisations from the authorities competent each time. These authorisations are granted on the basis of possession of certain requisites necessary for performing the service. It cannot be guaranteed that the authorisations obtained by the Group will not subsequently be revoked by the competent authorities. In addition, the Group may need to obtain further authorisations, the procedures of which are often long, costly, complex and with unforeseeable results.

In particular, with reference to the gas distribution sector, we can note that most of the concessions that the Group holds derive from direct awards by single Municipalities or were awarded through public tender procedures organised by single Municipalities that today have expired.
With reference to expired concessions, the Group's activity continues in a regime of prorogation and therefore the duration of the concession relationship is considered extended up to the moment in which the new tendering procedure is organised. During this period of *prorogatio*, the existing relationships between granting party and concession holder remain in force and therefore the concession holder of the service (i) remains obliged to continue the management of the service, limited to ordinary administration, up to the date on which the new award comes into effect, (ii) continues to receive the related tariff and (iii) is obliged to pay the fee to the granting entity.
Furthermore, outgoing operators fulfil all the obligations arising from the concession, including the payment of a concession fee payable to the granting entity.
With reference to the methods of renewing concessions, starting from the adoption of Italian Legislative Decree no. 164/2000 (the so-called Letta Decree) and of the related implementing decrees, the new awards for natural gas distribution will be assigned through public tender procedures, organised for Minimum Territorial Areas (MTAs) by the lead Municipality identified as contracting authority by the granting entities.
Italian Ministerial Decree 226/2011 defined the methods for performing the tender procedures organised by the MTAs, also laying down the terms for the publication of the related call for tenders and the terms laid down so that, on the one hand, the Region responsible, after giving notice to subjects in default specifying a peremptory term to comply, will force the launch of the tender procedure, and, on the other hand, the MED will intervene in order to ensure that the procedure is launched. As of today, for most of the expired natural gas distribution concessions the terms provided for in Italian Ministerial Decree 226/2011 for the issue by the contracting authorities of new calls for tenders have also expired.
In the light of the above, it is not possible to determine the dates of publication by the MTAs of calls for tenders for the renewal of the concessions nor for the award of any new concessions with respect to those that the Group holds. It cannot be guaranteed that the Group will be awarded the new contracts, nor that, if awarded, they will be at economic conditions equivalent to the existing ones.
Non-renewal of the concessions held by the Group or not obtaining new concessions could have negative effects on the business and prospects of Estra and the Group and on their economic and financial situation and equity.
In addition, even if the Group manages to win a new concession, the times for taking over the same following the completion of the tender procedure could be very long, owing also to appeals that could be lodged by the other operators that take part in the procedure, with negative effects on the business and prospects of the Group and on its economic and financial situation and equity.

- **Risks associated with malfunctioning and/or breakdowns of network infrastructure and systems**

In the operating sectors of Group companies, the normal provision of services depends on properly functioning infrastructures (such as electricity and natural gas transport/distribution networks) and plants (storage, thermoelectric plants, waste-to-energy plants, etc.). Any interruptions or restrictions in the operation of these infrastructures (for example, caused by human error, natural disaster, terrorist acts, sabotage, judicial/administrative orders) could lead to total or partial stoppage of activities performed by the companies of the Group, or could increase the costs of conducting such activities.

- **Risks related to White Certificates**

Based on applicable legislation, the Group needs to achieve specific annual energy saving targets, as determined in the Ministry of Economic Development Decree for the four-year period from 2021 to 2024. Should the Group not obtain a sufficient number of "White certificates" to achieve the relevant annual target, these need to be acquired on the market. In addition, if the required number of "White certificates" is not

submitted to ARERA, it will be subject to sanctions imposed by ARERA, and will have to purchase the missing number of “white certificates”. The market price of “white certificates” rose considerably in recent months.
To comply with its energy saving obligations, the Group intends producing “white certificates” directly or acquiring them on the market to achieve its annual target. If the number of "white certificates" produced directly by the Group is less than expected and/or if the price of "white certificates" should continue to increase in the future, the Group will incur higher costs which could negatively impact its business.

- **Risks related to quality standards**

The Group is obliged to comply with certain quality standards relating to the sale of natural gas and electricity to end users, as well as certain standards referring to safety, continuity and commercial quality with regard to the distribution of natural gas. Failure to comply with these standards could involve the Group paying claims to end users, sanctions and/or fines. Even though the Group believes that it currently complies with the relative quality and safety standards, any future breach of these standards could negatively impact on the business, financial conditions and operating results of the Group.

- **Risks arising from the approval of new tariff systems**

On the basis of the current tariff system, the Group’s revenue is partly updated in accordance with criteria predetermined by ARERA - *Autorità di Regolazione per Energia Reti e Ambiente* - Regulatory Authority for Energy Networks and the Environment (formerly AEEGSI). We cannot exclude the industry regulatory authorities’ approval of new legislation and/or regulations, which may, possibly negatively, affect the Group’s revenue.

- **Risks related to competition**

The Group operates in a competitive scenario that places it in competition with Italian and multinational entities, some of which can avail of much greater financial resources. Despite the Group considering it has a competitive edge deriving from its strong local roots if - following expansion of the number of direct competitors - it is unable to retain its competitive strength on the market, it could record a drop in customers and/or see its margins decline, with subsequent negative effects on its activities and growth prospects, as well as on its financial position.

- **Risks deriving from future consumption trends**

With reference to the gas distribution business, on the basis of the current tariff system, the Group’s revenue is partly updated annually in accordance with criteria predetermined by ARERA - Regulatory Authority for Energy Networks and the Environment, which reflect an implicit rate of annual growth of the volumes of natural gas put into the transport network. However, the amounts of natural gas introduced into the Italian transport network depend on factors beyond the Group’s control, such as the price of natural gas compared to other fuels, electricity sector development, economic growth, climatic changes, environmental laws, the continuing availability of natural gas imported from abroad and the availability of sufficient transport capacity through import pipelines. With regard to gas and electricity sales, a negative trend or slow growth in the demand for gas and electricity could have an impact in terms of lower sales volumes of gas and electricity for the Group, subsequently reflected in a decrease in the Group’s overall sales margins. Among the activities implemented in this respect, the Group monitors both the electricity load profile and gas consumption trends, at Italian and international macroeconomic scenario levels, based on updates published by the leading economic and financial forecast agencies. The analysis of such data aims to give an indication as far in advance as possible of potential electricity and gas demand trends, and consequently optimise sales accordingly. In addition, the adoption of a marketing diversification strategy counteracts, up to a point, any adverse market situation.

- **Risks related to renewable energies**

The Group’s renewable energies business is exposed to the risk that the generation of electricity from renewable sources may be interrupted due to events beyond the Group’s control, such as natural disasters, fires, breakdowns or malfunctioning of control equipment or systems, plant manufacturing defects, damage, theft and other exceptional events. Any interruption could result in reduced revenue for the Group and could involve incurring extraordinary costs to resume the production process.

The Group's failure to comply with legislation requiring authorisations and permits or the failure to respect deadlines and the conditions envisaged by the relative authorisations and permits could result in penalties or require the Group to repay incentives and/or not qualify for additional incentives.
Furthermore, due to the intrinsic nature of the sources used in this sector related to the climate conditions at the sites where the wind and photovoltaic facilities are located, the generation of electricity could be subjected to high levels of volatility. Even though the Group has positioned its facilities in different locations throughout Italy in order to take advantage of different climatic conditions, revenue from the generation of electricity could come down, even significantly.

- **Environmental risks**

The Group's activities are subject to Italian and EU laws on environmental protection and health and all activities are carried out in compliance with the same, as well as the authorisations needed and obtained. However, it cannot be entirely excluded that costs or liabilities may arise for the Group companies with reference to environmental protection.

- **Liquidity risk**

Liquidity risk is defined as the risk that Alia and the Group may be unable to meet their payment obligations when they fall due. The Group's liquidity could be damaged by inability to sell products and services, unexpected cash outflows, the obligation to pay more guarantees or inability to access the capital markets. This situation may arise due to circumstances beyond the control of the Group, such as a general market disruption or an operational problem affecting the Group or third parties, or even the perception among market participants that the Group or other participants market are experiencing a more severe liquidity risk. The liquidity crisis and loss of confidence in financial institutions can increase the cost of financing the Group and hinder access to some of its traditional sources of liquidity.
Further information is contained in note no. 15.3 "Objectives and criteria of financial risk management".

- **Risks associated with debt**

Alia and the Group obtains their financial resources mainly through traditional banking channels and using traditional instruments such as medium/long-term borrowings, mortgages, short-term bank loans and credit facilities, and cash inflows from operations as part of trade relations with borrowers for services provided and with lenders for the purchase of goods and services. The net debt of the Group is affected by the seasonality of the business carried out and consequently undergoes significant fluctuations during the year. Debt refinancing risks are managed by monitoring loan maturities and coordinating borrowings with types of investments, in terms of the liquidity of assets in which the Group companies invest. It should be in any case understood that there is no guarantee that in the future Alia and the Group will be able to obtain funding with the same methods, terms and conditions granted thus far. This situation could arise due to circumstances beyond Alia's control, such as general disruption in the reference market.

The existing bonds and loans provide for specific obligations that the Group has undertaken to observe.
In addition, some of the loan contracts signed and bond loans issued by the Group also provide for the Group having to observe, for the entire duration of the loan, certain capital-financial ratios, observance of which is verified, in general, every year (that is with reference to the reporting date of each financial year on the basis of the figures in the related consolidated financial statements or separate financial statements of the borrowing Group company). Failure to comply with these parameters could result in the execution of the acceleration clause and an earlier repayment obligation arising for the debtor.
These existing loan contracts also provide for a series of default events (in some cases, referable also to companies that are part of the Group).
The Group's ability to fulfil its obligations under the terms of the existing bank loan conditions depends on the Group's future operating and financial performance, which are in turn linked to the Group's ability to implement successfully its business strategy and to other economic, financial, competitive and legislative factors that are out of the Group's control.

The Group must therefore continue to allocate part of its cash flows to serving the financial debts, reducing the financial resources usable for the operating activity and/or for investments and also affecting its ability to distribute dividends.

- **Interest rate risks**

Alia and the Group are exposed to fluctuations in interest rates, especially as regards the extent of financial expense associated with debt. Estra and the Group mitigate the risk deriving from floating-rate loans through investments and the use of funds essentially indexed to short-term rates. In addition, the interest rate risk management policy pursues the aim of limiting such volatility by identifying a mix of fixed rate and floating rate medium/long-term loans and the use of IRS contracts signed with financial counterparties of primary standing and which limit interest rate fluctuations. Taking into account the active interest rate risk monitoring policies, any future rise in interest rates should not have particularly negative effects on the financial position of Alia and the Group.

- **Exchange rate risk**

At present there is no exposure to risks associated with changes in foreign exchange rates that could have a significant impact on the financial position of Alia and the Group, except as regards the amount reported under commodity price risk.

- **Commodity price risks**

In reference to the characteristics of its operating sector, the Group is exposed to commodity price risk, i.e. the market risk associated with changes in energy raw materials prices (electricity and natural gas) and the related exchange rate, given that its purchases and sales are affected by price fluctuations in energy commodities, either directly or through indexing formulas.
Group policy is designed to minimise the risk associated with fluctuating commodity prices by aligning the indexing of commodity purchases with commodity sales, the vertical exploitation of the various business chains and recourse to financial markets for hedging purposes.

- **Risks associated with Group company transactions**

The Group has maintained, and still maintains, commercial relations with investee companies and associates. In particular, the main transactions carried out with related parties are attributable to: (i) existing service contracts with Group companies, including companies that are not controlled, and with the shareholders Alia Servizi Ambientali and Coingas; (ii) lease contracts for the company offices in Prato, Arezzo and Siena, from the shareholders Alia Servizi Ambientali, Coingas and Intesa respectively; (iii) financing contracts with Alia Servizi Ambientali and Coingas.
Although the Group believes that the conditions provided for and effectively applied with respect to related party transactions are in line with normal market conditions, there is no guarantee that, if transactions to which the related party relations refer were concluded with third parties, the same would have negotiated and signed the related contracts, or performed the aforesaid transactions, with the same conditions and methods.
Further information is contained in note no. 15 “Transactions with related parties”.

- **Risks deriving from ongoing judicial proceedings**

Alia and the Group are involved in a number of civil, administrative (mainly related to ARERA (formerly AEEGSI) resolutions/decisions or to public service concessions), tax and labour law proceedings (both as plaintiff and as defendant), relating to ordinary operations in the natural gas distribution sector and the sale of natural gas and electricity, and which are immaterial to the value of Estra and/or the Group. In the presence of current commitments resulting from past events, that could be of a legal or contractual nature or are the result of conduct that could lead to an obligation, Estra and the Group have made reasonable allocations to specific provisions for risks and charges over the years that are indicated among liabilities in the financial statements.

- **Operational risk**

Operational risk is the risk of losses caused by errors, infringements, interruptions, damages caused by internal processes, employees or systems or caused by external events. Alia and the Group companies, which in any case have developed specific procedures and operating instructions designed to mitigate and reduce operating risks, are however exposed to many kinds of operational risk, including the risk of fraud by employees and external parties, the risk of unauthorised transactions by employees or the risk of operating errors, including those resulting from faults or malfunction of the IT or telecommunications systems. The systems and methods for managing operational risk are designed to guarantee that such risks associated with corporate activities are appropriately kept under control. Any disruption or fault in these systems could have a negative impact on the financial position and operating results of Alia and the Group. These factors, especially during economic and financial crises, could result in the company or Group suffering losses, increased borrowing costs, impairment of assets held, with a potential negative impact on the liquidity of the Group and on its financial soundness. Italian Legislative Decree 231/2001 introduced the regime of corporate administrative liability of entities to Italian law for certain offences committed in their interest or to their benefit by persons holding senior office positions or persons under their direction and supervision. In order to prevent commission of the offences contemplated in the Decree, Alia has adopted its own organisation, management and control model. The Model forms part of a more wide-ranging policy pursued by Alia and the Group to promote fairness and transparency in conducting its business activities and in its relations with third parties, which includes the Code of Ethics already adopted. Alia has also established a Supervisory Board, with independent powers of initiative and control, assigned to supervision of the functions of and compliance with the Model and to promote its constant updating. The monitoring by the Supervisory Board and the Model adopted make it possible to mitigate the exposure to risks of an operational nature.

- **Risks associated with credit loss**

The credit risk for Alia and the Group is mainly attributable to total trade receivables deriving from gas and electricity sales and TARIC, which are not particularly concentrated as they are spread across a vast number of counterparties such as retail, business and public entities. In conducting its business activities, the Group is exposed to the risk that, as a result of the financial position of the obligated party, the receivables may not be paid when due. Consequently, the risks are attributable to the increase in the seniority of receivables, insolvency risk and the risk of an increase in receivables subject to bankruptcy proceedings with subsequent impairment that could result in the cancellation, wholly or in part, from the financial statements.
The occurrence of these events is more likely during times of economic recessions or if prices should increase significantly for the commodities sold, which could impact on the ability of Group customers to pay timeously.

The Group adopts a credit management policy aimed at governing the assessment of customers' creditworthiness and other financial assets of the same, the monitoring of expected recovery flows, the issue of payment reminders, the granting, if considered necessary or opportune, of extended credit conditions, the request for bank or insurance sureties, the transfer of receivables of discontinued customers to external credit recovery companies and the management of legal disputes involving receivables related to the services provided. The payment terms generally applied to customers are governed by legislation and the standards of the free market; in the event of non-payment, default interest is applied in the amount indicated in the supply contracts and established by the current legislation. Provisions for the impairment of receivables reflect the best estimate of credit risk.
The default of one or more customers or counterparties significant for the Group or any increase in the default rate of customers or counterparties in general could have negative effects on the Group's business and prospects and on its result of operations, capital and financial situation.

- **Risks associated with acquisitions carried out by the Group**

Although in preparation for the finalising of transactions to purchase companies or business units the Company ensures due diligence with reference to the transaction/valuation of third parties, it cannot be excluded that in future there may emerge liabilities not covered by the contractual guarantees and/or that the transferors will not be able to comply with possible indemnity requests.

- **Risks associated with joint ventures and partnerships**

In recent years, the Group has established various partnerships and may initiate additional joint ventures or partnerships with the same or other parties in the future. The possible benefits or expected returns from these joint ventures and partnerships could be difficult to achieve or could be less positive than what the Group originally estimated. Furthermore, these investments are intrinsically risky, because the Group may not be able to exercise full authority in managing the joint venture or partnership and on the company decisions that are taken. In addition, joint ventures and partnerships run the risk of difficulties arising when integrating human resources, technologies and products.

- **Risks associated with impairment of goodwill and intangible assets with finite useful life**

Following business combinations completed over time, in accordance with the IFRS standards, the Group has recognised in the assets goodwill related to the companies acquired, understood as the surplus of the cost of acquisition compared to the assets and liabilities acquired, and of intangible assets with a finite useful life, in particular gas and electricity customer portfolios, deriving from the business combinations.
If the macroeconomic and financial context changes in a way not in line with the estimates and assumptions formulated on assessment or if the Group finds in future a worsening of its ability to generate cash flows and economic results compared to the forecasts and estimates on which the impairment tests are based, it could become necessary to make adjustments to the carrying amount of the intangible assets recognised in the Group's consolidated financial statements, with the consequent need to book write-downs to the income statement, with negative effects on the Group's assets and prospects and on its result of operations, capital and financial situation.
Further information is available in Note "Impairment tests".

- **Risks associated with the failed or delayed implementation of the business strategy**

The Group intends to pursue a strategy of growth and development, focused in particular on its core businesses – the sale and distribution of gas and electricity, telecommunications and energy services. If the Group is unable to effectively implement its strategy or implement it within agreed time frames, or if the basic assumptions underlying the strategy do not prove to be correct, the Group's ability to increase its revenue and profitability could be affected and this could have an adverse effect on the Group's business and growth prospects, as well as on its economic and financial position.

- **Information technology risks**

Alia and Group activities are managed through complex IT systems that support the main corporate operational, administrative and commercial processes. The inadequacy or failure to update these information systems according to the requirements of the business, their potential unavailability, the inappropriate handling of aspects relating to confidentiality and integrity of the information, represent potential risk factors to which the Group is exposed.
The inadequacy or failure to update these information systems according to the requirements of the business, their potential unavailability, the inappropriate handling of aspects relating to confidentiality and integrity of the information, could entail negative effects on the Group's assets and prospects and on its result of operations, capital and financial situation.

- **Cyber security risks**

In a context of continual technological evolution the subject of cyber security assumes increasing significance together with the associated need to protect the IT systems against attacks that can lead to theft, loss or compromising of data and information with consequent impacts on business operations and the Group's reputation.
The Group has for this reason provided for, in its organisation, within the structure of the information systems, specific monitoring focused on cyber security and also performs periodic activities to test the vulnerability of the systems.

- **Risks associated with insurance coverage**

The Group companies carry out activities that may expose them to the risk of suffering or causing damage that is sometimes difficult to predict and/or quantify. Although the administrative bodies have acted to take out insurance policies appropriate to the business carried on, in the case of events that for any reason are not covered by insurance or are capable of causing damage of an amount in excess of the cover, the Group companies would be liable for the charges, with consequent adverse effects on the result of operations and financial position.

- **Climate change risks**

Climate change is resulting in significant rises in the annual average temperature, due to CO2 emissions deriving mainly from human activities. The temperature increase in turn generates extreme climate events, such as higher rainfall, rising sea levels, desertification, or even heavy snowfall and low solar radiation.
For the Group, climate change is an economic risk, given its possible repercussions on the Group's characteristic activities:

- it may influence the demand for natural gas and electricity, which is typically higher in the colder winters (need for heating) and hot summers (need for air conditioning) and production from certain types of renewable sources;
- it may impact operating costs (e.g. insurance costs);
- it drives the electrification process of consumption and use of renewable resources in replacement of fossil fuels in the long term (carbon neutrality target by 2050) (NIECP 2019);
- increased frequency in extreme intensity natural events in the places where the Group's distribution companies operate, which could result in infrastructure becoming unavailable for extended time frames, with possible service interruptions.

Some of the most significant actions implemented by the Group to mitigate climate change include (i) increased production of energy from renewable sources, mainly through photovoltaic systems or energy recovery (e.g. Casa Sartori anaerobic biodigester), (ii) energy efficiency projects and the development of tools to measure, regulate and control the energy performance of buildings, (iii) the gradual replacement of the vehicle fleet with low-emission and higher performing vehicles in terms of consumption and (iv) strengthening systems throughout the territory to reduce emissions from waste transport to third parties after collection.
For more details and taxonomy criteria please see the Consolidated Non-Financial Statement 2023 for Alia.

Significant events after the reporting date
There were no significant events after the reporting date.

Florence, 11 April 2024
For the Board of Directors

The Chairperson
Lorenzo Perra

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Chief Executive Officer
Alberto Irace

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4. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

4.1 Consolidated Income Statement

INCOME STATEMENT	NOTES	2023	2022
Revenue	*12.1*	947,483,936	411,504,747
Construction revenues Concession Rights	*12.2*	114,706,795	84,942,039
Other Operating Revenue	*12.3*	31,800,238	7,575,056
Other Income	*12.4*	14,386,238	3,514,480
Consumption of Raw Materials and Consumables	*12.5*	313,922,462	23,627,962
Costs for Services	*12.6*	385,084,247	210,952,024
Personnel Costs	*12.7*	152,992,151	121,265,076
Other Operating Expenses	*12.8*	14,923,911	3,967,715
Construction Costs, Concession Rights		106,701,998	82,309,225
Portion of Financial Income (Expense) from non-financial equity investments	*12.9*	10,828,320	929,131
Gross operating margin (EBITDA)		**145,580,758**	**66,343,451**
Amortisation, Depreciation, Provisioning and Writedowns	*12.10*	74,202,915	30,472,646
Writedowns (writebacks) net of trade and other receivables	*12.11*	11,116,434	1,037,779
Operating Profit		**60,261,409**	**34,833,026**
Writedowns (and reinstatements) of financial assets	*12.12*	34,181	26,129
Portion of Financial Income (Expense) from financial equity investments	*12.13*	18,096,739	244,201
Financial income	*12.14*	10,319,548	2,105,481
Financial expenses	*12.15*	35,580,594	7,006,730
Financial Management		**(7,198,489)**	**(4,683,177)**
Profit before income tax		**53,062,920**	**30,149,849**
Taxes	*12.16*	7,003,831	7,718,599
Comprehensive profit (loss) for the year		**46,059,089**	**22,431,250**
Profit (loss) minority interest		9,454,758	1,239,715
Profit (loss) for the Group		**36,604,332**	**21,191,535**

(*) Note that to offer the reader better comparability for the information in the financial statements at 31 December 2023, the presentation of certain amounts relative to the previous year has been modified. For more details, please see the information contained in the section "Reclassifications of comparative data" in the Notes.

4.2 Consolidated Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	*Notes*	2023	2022
Net profit/(loss) for the year		**46,059,089**	**22,431,250**
of which			
Net profit/(loss) minority interests		*9,454,758*	*1,239,715*
Group net result		*36,604,332*	*21,191,535*
Components not reclassifiable to the income statement			
Actuarial gains/(losses), employee benefit funds	*13.11*	(399,872)	2,188,537
Fiscal effect relative to other statement of comprehensive income items, not reclassifiable		95,969	(525,249)
Total other comprehensive income components net of taxes		**(303,903)**	**1,663,288**
of which:			
related to minority interests	*14.22*	*(55,559)*	*15,775*
related to the Group		*(248,344)*	*1,647,513*
Comprehensive net profit/(loss) for the year		**45,755,187**	**24,094,538**
of which:			
Net comprehensive result minority interests		*9,399,199*	*1,255,490*
Net comprehensive result Group		*36,355,988*	*22,839,048*

4.3 Consolidated Statement of Financial Position

STATEMENT OF FINANCIAL POSITION - ASSETS	NOTES	2023	2022
Property, Plant and Equipment	14.1	194,994,594	72,434,380
Real estate investments	14.2	7,216,542	
Concession rights	14.3	767,634,994	274,172,280
Rights of Use	14.4	27,298,256	10,604,939
Other Intangible Fixed Assets	14.5	212,588,676	827,710
Goodwill	14.6	67,623,375	250,481
Equity Investments in Associates and Joint Ventures	14.7	552,761,109	182,693,702
Other equity investments	14.7	10,504,881	21,923,695
Non-Current Financial Assets	14.8	22,514,809	1,241,075
Deferred Tax Assets	14.9	88,004,669	6,078,769
Non-Current derivative financial instrument assets	14.10	414,470	
Non-Current Trade Receivables	14.11	552,091	2,733,178
Non-Current Assets from Contracts with Customers	14.12	25,450,943	19,120,747
Other Non-Current Assets	14.13	4,851,363	2,801,515
Total Non-Current Assets		**1,982,410,773**	**594,882,471**
Inventories	14.14	20,722,231	4,908,393
Trade receivables	14.15	540,967,493	132,548,198
Current Assets from Contracts with Customers		19,120,747	16,158,685
Current Financial Assets	14.16	5,696,822	
Current tax assets	14.17	10,370,563	560,666
Other current assets	14.18	158,389,322	9,506,055
Current derivative financial instrument assets	14.19	1,976,488	
Cash and cash equivalents	14.20	198,203,480	26,108,803
Total Current Assets		**955,447,147**	**189,790,800**
TOTAL ASSETS		**2,937,857,920**	**784,673,271**

STATEMENT OF FINANCIAL POSITION - LIABILITIES	***NOTES***	**2023**	**2022**
Share capital	*14.21*	360,556,971	153,413,910
Reserves	*14.22*	482,533,954	186,897,746
IFRS first time adoption reserve	*14.22*	7,896,006	7,896,006
Group profit/(loss)	*14.22*	36,604,332	21,191,534
Total Group Shareholders' Equity		**887,591,262**	**369,399,196**
Capital and reserves, minority interests	*14.22*	319,678,044	16,475,103
Profit/(loss), minority interests	*14.22*	9,454,758	1,239,715
Total Shareholders' Equity, minority interests	*14.22*	**329,132,801**	**17,714,819**
Total Shareholders' Equity		**1,216,724,063**	**387,114,015**
Provisions for risks and charges	*14.23*	68,964,095	46,056,915
Severance indemnity [TFR] and other benefits	*14.24*	20,135,298	12,444,388
Non-current financial liabilities	*14.25*	597,616,118	163,310,170
Non-current financial liabilities for rights of use	*14.25*	22,001,082	5,140,365
Deferred tax liabilities	*14.9*	60,127,543	
Other non-current liabilities	*14.26*	12,549,802	9,608,374
Non-current trade payables	*14.27*	4,233,333	3,400,000
Non-current contractual liabilities	*14.28*	26,743,159	
Total Non-Current Liabilities		**812,370,430**	**239,960,212**
Current financial liabilities	*14.25*	245,195,314	20,570,580
Current financial liabilities for rights of use	*14.25*	5,818,767	1,920,058
Trade payables	*14.29*	416,795,092	113,696,666
Current tax liabilities	*14.30*	18,517,858	2,330,345
Other current liabilities	*14.31*	220,190,359	19,081,396
Current contractual liabilities	*14.28*	1,219,604	
Current derivative financial instrument liabilities	*14.19*	1,026,434	
Total Current Liabilities		**908,763,426**	**157,599,045**
TOTAL LIABILITIES		**1,721,133,856**	**397,559,257**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,937,857,920**	**784,673,271**

4.4 Consolidated Cash Flow statement

	NOTES	31/12/2023	31/12/2022
INITIAL NET CASH AND CASH EQUIVALENTS		**26,108,803**	**45,380,293**
Profit (loss) for the year (A)		**46,059,090**	**22,431,249**
Depreciation of tangible assets	*12.10*	10,177,362	4,279,080
Amortisation of intangible assets	*12.10*	59,428,263	23,379,133
Allocation to provision for writedowns	*12.11*	11,116,434	1,037,779
Allocation to provision for risks	*14.23*	11,838,968	7,279,630
Non-monetary adjustments relative to changes in equity investments (including effect of measurement at equity)	*12.13*	(28,960,920)	(1,147,204)
Economic effect of deferred tax assets and liabilities	*12.16*	(8,567,022)	4,193,573
Allocation for current taxes	*12.16*	15,379,728	3,525,026
(Capital gains)/Capital losses from disposals/(contributions)	*12.16*	(334,182)	(345,982)
Financial (income)/expense	*12.14/12.15*	25,261,046	4,901,249
Other adjustments for non-monetary elements		7,892,831	(482,573)
Non-monetary adjustments (B)		**103,232,508**	**46,619,711**
Cash flow from Current Operations (C)=(A)+(B)		**149,291,598**	**69,050,960**
(Increase)/Decrease Inventories	*14.14*	1,427,491	(739,722)
(Increase)/Decrease Trade receivables	*14.15*	(202,096,926)	(7,450,675)
(Increase)/Decrease Assets from Contracts with Customers		(9,292,258)	(35,279,432)
(Increase)/Decrease Current tax assets	*14.17*	(8,252,184)	
Increase/(Decrease) Current tax liabilities	*14.30*	5,775,432	
(Increase)/Decrease Other current assets	*14.18*	26,155,970	(3,176,993)
Increase/(Decrease) Trade payables	*14.29*	96,658,300	16,295,301
Increase/(Decrease) Other current liabilities	*14.31*	(29,319,344)	1,354,095
Other changes		6,374,514	
Change in Net Working Capital (D)		**(112,569,006)**	**(28,997,426)**
Increase/(Decrease) Non-current assets	*14.13/14.10*	11,083,632	1,106,874
(Increase)/Decrease Non-current liabilities	*14.26/14.27*	2,331,975	961,739
Interest received / (paid)	*12.14/12.15*	(24,228,152)	(3,767,509)
Change in deferred tax assets/liabilities	*12.16*	(2,740,808)	
Use of Provisions for risks/TFR provision	*14.23/14.24*	(10,042,677)	(6,946,227)
Current taxes paid	*12.16*	(9,276,960)	(2,764,150)
Other operating changes (E)		**(32,872,990)**	**(11,409,273)**
Operating cash flow (G) = (C) + (D) + (E)		**3,849,602**	**28,644,261**
(Invest.) Tangible assets	*14.1/14.2*	(3,362,965)	(11,811,855)
Disinv. Tangible assets	*14.1/14.2*	3,560,156	2,710,739
(Invest.) Intangible assets	*14.3/14.4/14.5*	(167,377,175)	(86,207,469)
Disinv. Intangible assets	*14.3/14.4/14.5*	22,196,901	523,943
(Invest.) Financial fixed assets	*14.7*	(17,500,000)	(8,871,273)
Disinv. Financial fixed assets	*14.7*	1,080,791	11,947
Dividends received		18,497,185	1,095,280
Cash acquired as an effect of mergers by incorporation		352,097,739	
Net (acquisition) / disposals of subsidiaries	*14.7*		(2,185,492)

	NOTES	31/12/2023	31/12/2022
Cash flow from investments (H)		**209,192,632**	**(104,734,180)**
Available cash flow (I) = (G) + (H)		**213,042,234**	**(76,089,919)**
Financial assets - Loans from third parties			
Opening of short and medium/long-term loans	*14.25*	130,800,000	136,389,223
Repayment of short and medium/long-term loans	*14.25*	(156,597,251)	(156,040,824)
Increase (decrease) other short-term financial payables	*14.25*	13,833,716	76,470,030
Financial assets - Own assets		(24,143,642)	
shareholders' equity repayments		(4,840,375)	
Cash flow from financial activity (J)		**(40,947,552)**	**56,818,429**
Net change in cash and cash equivalents (L) = (I) + (J)		**172,094,682**	**(19,271,490)**
FINAL NET CASH AND CASH EQUIVALENTS		**198,203,485**	**26,108,803**

4.5 Statement of Changes in Consolidated Shareholders' Equity

	Share capital	Share premium reserve	Legal reserve	IFRS first time adoption reserve	OCI Reserve, Actuarial Losses	Extraordinary reserve and other profit reserves	Profit (loss) for the year	Total Group Shareholders' Equity	Total Shareholders' Equity, minority interests	Total Shareholders' Equity
Balance at 01 January 2022	**94,000,000**	**9,547,445**	**1,848,130**	**7,896,006**	**-1,274,234**	**46,334,390**	**9,114,263**	**167,471,487**	**18,083,866**	**185,555,353**
Changes with shareholders:										
Destination of profit/(loss) from previous year							-9,114,263	-9,114,263		-9,114,263
Other changes in the scope of consolidation						223,328	-	223,328		223,328
Other changes with minority shareholders									-1,624,538	-1,624,538
Other changes		126,859,076	423,771	-	-	1,291,548		128,565,686		128,565,686
Capital increase	59,413,910							59,413,910		59,413,910
Comprehensive profit (loss) for the year	*-*	*-*	*-*	*-*	***1,644,292***	*-*	***21,191,534***	***22,839,047***	***1,255,490***	***24,094,538***
Profit (loss) for the year							*21,191,534*	*21,191,534*	*1,239,715*	*22,431,249*
Actuarial gains/(losses), employee benefit funds					*1,644,292*			*1,647,513*	*15,775*	*1,663,288*
Balance at 31 December 2022	**153,413,910**	**136,406,521**	**2,271,901**	**7,896,006**	**370,059**	**47,849,266**	**21,191,534**	**369,399,196**	**17,714,818**	**387,114,015**
Balance at 01 January 2023	**153,413,910**	**136,406,521**	**2,271,901**	**7,896,006**	**370,059**	**47,849,266**	**21,191,534**	**369,399,196**	**17,714,819**	**387,114,015**
Changes with shareholders:	-	-	-	-	-	-	-	-	-	-
Destination of profit/(loss) from previous year	-	-	1,032,477	-	-	541,997	-1,574,474	-	-	-
Dividends	-	-	-	-	-	-	-19,617,060	-19,617,060	-12,340	-19,629,400
Distribution of reserves	-	-	-	-	-	-8,382,940	-	-8,382,940	-	-8,382,940
Acquisition of minority interests in companies already controlled	-	-	-	-	-	-242,440	-	-242,440	-888,602	-1,131,042
Merger by incorporation of Consiag, Acqua Toscana and Publiservizi	205,905,519	430,068,757	-	-	-	-126,980,700	-	508,993,576	-	508,993,576
Acquisition of control AER	1,237,542	2,223,527	-	-	-	-	-	3,461,069	383,704	3,844,773
Purchase of treasury shares	-	-	-	-	-	-2,709,333	-	-2,709,333	-	-2,709,333
Other changes	-	-	-	-	-	333,207	-	333,207	-330,514	2,693
Acquisition of control ESTRA	-	-	-	-	-	-	-	-	302,866,535	302,866,535
Comprehensive profit (loss) for the year	*-*	*-*	*-*	*-*	***-248,344***	*-*	***36,604,332***	***36,355,988***	***9,399,199***	***45,755,187***
Profit (loss) for the year	-	-	-	-	-	-	*36,604,332*	*36,604,332*	*9,454,758*	*46,059,089*
Actuarial gains/(losses), employee benefit funds	-	-	-	-	*-248,344*	-	-	*-248,344*	*-55,559*	*-303,903*
Balance at 31 December 2023	**360,556,971**	**568,698,804**	**3,304,378**	**7,896,006**	**121,715**	**-89,590,943**	**36,604,332**	**887,591,262**	**329,132,801**	**1,216,724,063**

5. CORPORATE INFORMATION

5.1 Group Information

The Alia Servizi Ambientali Group (hereafter, also the "Group" or the "Alia Group") is a group of companies operating in Italy, mainly in the environmental sector (waste management and processing) and the energy sector (distribution and sales of electricity, gas and renewable energy).
The activities of the Company and its subsidiaries are detailed in Note 8 Business Segments, whereas information on the Group structure is found in Note 10 Group Information. Information on the Group's interaction with related parties is provided in Note 15.6 Transactions with related parties.

Relative to the parent company Alia Servizi Ambientali S.p.A. (hereafter also the "parent company" or "Alia"), the end of 2017 saw the completion of the transition period governed by the service contract for the twenty-year concession signed with Toscana Centro OTA on 31 August 2017. As of 1 January 2018 the concession began, involving the exclusive assignment of integrated management of urban waste, including the following activities:

- supply of basic services (mainly collection, transport and sweeping of waste, systems management, management of landfills after closure, establishment of collection centres);
- supply of accessory services;
- execution of the works included in the contract.

Starting from 1 January 2018, the services were carried out in 30 municipalities in the province of Florence, in 12 in the province of Pistoia and in 7 in the province of Prato. Starting from 1 March 2018, the service was extended to another municipality in the province of Florence and another 8 municipalities in the province of Pistoia, for a total of 58 served.
On 1 March 2018, the assets instrumental to the service owned by the outgoing managers not incorporated in Alia were transferred to the manager Alia, specifically by AER Ambiente, Energia Risorse SpA and COSEA Ambiente SpA. These assets hence "entered" the Manager's equity at the residual carrying amount identified on the date of transfer.

On 23 January 2023, the deed for the merger by incorporation of Publiservizi SpA, Acqua Toscana SpA and Consiag SpA in the parent company Alia Servizi Ambientali SpA was signed, effective as from 1 February 2023. This merger expanded the scope of consolidation, adding companies operating in the water, gas and energy sector, in particular Estra SpA and its consolidated subsidiaries (hereafter, also "Estra Group"), over which Alia acquired control in June 2023, following the signing of the shareholders' agreement with Coingas SpA, as described in more detail below, with consequent line by line consolidation as of the date control was acquired.

The consolidated financial statements for the year ended 31 December 2023 were submitted for the approval of the Company's Board of Directors on 11 April 2024 and will be made available to shareholders in line with the law.

6. BASIS OF PREPARATION AND ACCOUNTING STANDARDS

6.1 Basis of preparation

The Group Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, integrating the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously known as the Standing Interpretations Committee (Sic), as well as the measures implemented by Italian Legislative Decree no. 38/2005.

The general principle in the preparation of these Consolidated Financial Statements is based on cost, except for assets and liabilities linked to trading and derivative instruments, measured at fair value.

The preparation of the Consolidated Financial Statements required management to use estimates; the main areas characterised by more significant estimates and assumptions, together with those impacting significantly on the situations presented, are detailed in the paragraph "Significant accounting estimates".

The Directors also evaluated the applicability of the going concern assumption when preparing the financial statements, concluding that it was appropriate having determined the ability of the parent company Alia and the Group to meet the obligations they have undertaken in the short term and to continue to operate as a going concern in the foreseeable future.

The consolidated financial statements are presented in units of Euro, unless otherwise indicated.

6.2 Financial statements schedules

The consolidated financial statements consist of the following schedules:

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated cash flow statement
- Statement of changes in consolidated shareholders' equity

Individual income statement items are classified according to their nature. We believe that this method, which is also followed by our main competitors and is in line with international practice, provides the best representation of the company's results.
As permitted by the revised IAS 1, the statement of comprehensive income (hereinafter, also "CIS") is presented in a separate document to the income statement, distinguishing between components that are reclassified or not in the income statement. The other components of the statement of comprehensive income are also stated separately in the statement of changes to shareholders' equity.
The statement of financial position shows the distinction between current and non-current assets and liabilities, as detailed below.
The cash flow statement is prepared using the indirect method, as permitted by IAS 7, and is presented grouped by cash flow category. Cash and cash equivalents included in the Cash Flow Statement include the balance sheet figures of such items at the reporting date. Income and costs related to interest, dividends received and income tax are included in the cash flows generated by operations.
The statement of changes to Shareholders' Equity is presented as required by international accounting standards, with separate evidence of the operating result and all revenue, income, expense and expenditure not recorded in the income statement or statement of comprehensive income, but recognised directly in Shareholders' Equity on the basis of specific IAS/IFRS accounting standards.

Alia Servizi Ambientali SpA prepares and presents a "Consolidated Non-Financial Statement" in the form of a "distinct report", as envisaged in article 5 "Placement of the declaration and publicity regime" of Italian Legislative Decree 254/2016. The statement is published using the same methods and schedule as for the Annual Report and is available on the parent company's website.

6.3 Consolidation criteria

The consolidated financial statements at 31 December 2023 include the financial statements of the parent company Alia and those companies over which Alia directly or indirectly holds control.

Control is achieved when the Group is exposed or is entitled to variable returns, deriving from its relationship with the investee entity, and at the same time, has the ability to impact these returns by exercising its authority over said entity.
Specifically, the Group controls a subsidiary if and only if, the Group has:

- power over the investment entity (or holds valid rights that confer the effective ability to manage the significant activities of the investment entity);
- exposure or rights to variable returns deriving from the relationship with the investment entity;
- the ability to exercise its power over the investment entity so as to impact on the extent of its returns.

Generally, there is the assumption that a majority of voting rights confers control. In support of this assumption and when the Group holds less than a majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to ascertain whether it controls the investment entity, including:

- The provisions of the Articles of Association;

- Contract agreements with others holding voting rights;
- Rights deriving from contract agreements;
- Group voting rights and potential voting rights.

The Group reconsiders whether it has control or not when facts and circumstances indicate that changes have intervened in one or more of the three aspects significant for the purposes of defining control. The consolidation of a subsidiary begins when the Group obtains control and ceases once the Group loses this control. Assets, liabilities, revenue and costs for the subsidiary acquired or discontinued over the period are included in the consolidated financial statements from the date on which the Group obtains control, until the date when the Group no longer exercises control over the company.

The carrying amount of equity investments in subsidiaries is eliminated against the relative shareholders' equity, against the inclusion of the assets and liabilities of the investees using the global consolidation method. The cost of acquisition is determined by the sum of its fair value, on the date control over the assets given is acquired, the liabilities incurred or taken on, and financial instruments issued by the Group in exchange for control over the acquired company.

All assets and liabilities, shareholders' equity, revenue, costs and infragroup financial flows relating to transactions between group entities are completely eliminated during the consolidation phase.

Profit (loss) for the period and each of the other comprehensive income statement items are attributed to the Parent Company shareholders and minority interests, even if this implies that the minority interests have a negative balance. Where necessary, the appropriate adjustments are made to the financial statements of subsidiaries, to ensure they conform with the Group's accounting policies.

Changes to equity investments in a subsidiary that do not result in a loss of control are recognised under shareholders' equity.

If the Group should lose control of a subsidiary, the relevant assets (including goodwill), liabilities, minority interests and other shareholders' equity items must be eliminated, whereas any profit or loss is recorded in the income statement. The equity investment still held is then recognised at fair value. Similarly, in the event of acquiring control, any equity investment already held will be revalued at the corresponding fair value, with any profit or loss recognised in the income statement.

6.4 Summary of main accounting criteria

1) Current/non-current classification

Assets and liabilities in the Group's financial statements are classified on a current/non-current basis.

An asset is current when:

- one can suppose that it will be realised, or is held for sale or consumption through the normal operating cycle;
- it is held mainly for the purpose of trading;
- one can suppose that it will be realised within twelve months from the close of the financial period; or
- it comprises cash or cash equivalents, unless it is forbidden for these to be exchanged or utilised to extinguish a liability for at least twelve months from the close of the financial period.

A liability is current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held mainly for the purpose of trading;
- it must be extinguished within twelve months from the close of the financial period; or
- the entity does not have an unconditional right to defer the settlement of the liability for at least twelve months from the close of the period.

Deferred and prepaid tax assets and liabilities are classified under non-current assets and liabilities.

2) Fair value measurement

The Group measures financial instruments such as derivatives and commodity trading futures contracts at fair value at each reporting date. A summary is provided below of the notes relating to the fair value of financial instruments, and the notes referring to fair value:

- Measurement methods, discretionary assessments and significant accounting estimates: Note 7 Discretionary assessments and significant accounting estimates;
- Quantitative information on the fair value measurement hierarchy: Note 14.32 Financial instruments and measurement at fair value;
- Financial Instruments (including those measured at amortised cost): Note 14.32 Financial instruments and measurement at fair value;

Fair value is the price that would be received to sell an asset, or would be paid to transfer a liability, in a regular transaction between market participants at the measurement date. The fair value measurement supposes that the sales transaction for the asset or transfer of the liability takes place:

- in the principal market for the asset or liability;
  or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Group.
The fair value of an asset or liability is valued by adopting the assumptions that market participants would use in determining the price for the asset or liability, presuming that they are acting to satisfy their own economic interests in the best way possible.
A fair value measurement of a non-financial asset considers the ability of a market participant to generate economic benefits, making maximum and best use of the asset or selling it to another market participant that would make the maximum and best use thereof.
The Group uses valuation techniques that have been adapted to its circumstances, and where there is sufficient data available to measure the fair value, by maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.
All assets and liabilities measured at fair value or recognised in the financial statements are classified according to the fair value hierarchy, as follows:

- Level 1 - quoted prices (without adjustment) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques where input data is unobservable for the asset or liability.

The fair value measurement is classified entirely at the same fair value hierarchy level where the input at the lowest hierarchy level used for the valuation, is classified.

For assets and liabilities recognised at fair value on a recurring basis in the financial statements, the Group determines whether transfers have occurred between the hierarchy levels, by reviewing the classification (based on the lowest level input, which is significant for the fair value measurement in its entirety) at each reporting date.
The Group determines the criteria and procedures for the measurement of recurring fair value such as derivatives and commodity trading futures contracts, and for non-recurring measurements, such as assets held for sale.

For the purposes of fair value disclosures, the Group determines the asset and liability classes based on the nature, characteristics and risks of the asset or liability and the fair value hierarchy level referred to above.

3) Business combinations and goodwill

Business combinations are stated using the acquisition method. The acquisition cost is determined as the sum of the transferred fee measured at fair value at the acquisition date, and the amount for the minority interest in the acquired entity. For every business combination, the Group defines whether to measure the minority interest in the acquired entity at fair value, or in proportion to the portion of minority interest in the net assets identified in the acquired entity. Acquisition costs are recognised in the period and classified under administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities undertaken in accordance with contract conditions, economic and other pertinent conditions at the

acquisition date. This includes checking to see whether an incorporated derivative should be separated from the primary contract.
If the business combination is implemented over different stages, the equity investment held previously is measured at fair value at the acquisition date and any resulting profit or loss is recorded in the income statement.
Costs relative to business combinations are recognised in the income statement.
Any potential fee to be recognised, is recorded by the purchaser at fair value at the acquisition date. The change in fair value of the potential fee classified as an asset or liability, as a financial instrument falling in the scope of IFRS 9 Financial Instruments: recognition and measurement, must be recognised in the income statement.

In the case of the acquisition of companies, the assets, liabilities and potential liabilities acquired and identifiable are recognised at their current fair value as of the acquisition date. The positive difference between the fair value of the payment plus any minority interest in the acquired company (in the case of a step acquisition, the fair value as of the acquisition date is added to any previously held equity investments in the same) and the fair value of the assets and liabilities acquired is classified as Goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("badwill") is recognised in the income statement at the time of acquisition. Minority interests are recognised in amounts proportional to the net identifiable assets at the time of acquisition.
Goodwill is not amortised but is subject to impairment tests annually, or more frequently if specific events or changes in circumstance suggest a permanent loss of value may have occurred, in line with IAS 36 - Impairment of Assets. After initial recognition, goodwill is measured at cost, net of accumulated impairment losses. Any impairment of goodwill cannot be reversed in subsequent years.

If the goodwill is allocated to a cash-generating unit and the entity disposes of part of this unit's assets, the goodwill associated with the discontinued assets is included in the asset's carrying value when determining the gain or loss from the disposal. Goodwill associated with discontinued assets is determined on the basis of the values relative to the discontinued assets and the portion retained by the cash-generating unit.

4) Equity investments in associates and joint ventures

An associate is a company in which the Group exercises significant influence. Significant influence is intended as the power to participate in determining the company's financial and management policies, without having control or joint control.
A joint venture is an arrangement of joint control, whereby the parties holding joint control hold rights over the net assets in the arrangement. Joint control is intended as the sharing of an arrangement's control on the basis of a contract, which exists solely when decisions on the significant assets require unanimous consent by all parties sharing control.
The Group's equity investments in associates and joint ventures are measured using the equity method.
Based on the equity method, an investment in an associate or joint venture is initially recognised at cost. The investment's carrying value increases or decreases to record the portion of the participant's share of the gains and losses realised after the acquisition date. Goodwill pertinent to the associate or joint venture is included in the equity investment's carrying value and is not subject to separate impairment testing.
The year's statement of profit and loss reflects the portion of results from associates and joint ventures attributable to the Group. Any change in other items of the comprehensive income statement relating to that associate is recognised in the Group's comprehensive income statement. In addition, should an associate or joint venture record a change that is charged directly to shareholders' equity, the Group recognises its portion, where applicable, in the statement of changes to shareholders' equity. Unrealised profits and losses deriving from transactions between the Group and associates or joint ventures are eliminated in proportion to the shareholding in the associates or joint ventures.
The portion of the result from associates and joint ventures attributable to the Group represents the result net of taxes and the portion due to the associates' or joint ventures' other shareholders and is recognised in the Income statement before or after the operating result is recognised in relation to the correlation that exists between the associate's assets and those of the entity preparing the financial statements.
Given the non-financial nature of the investment and the significant management and operational role played by the Group in companies under joint control, the portion of the subsidiary's result attributable to the Group is measured using the equity method, and recorded in the income statement before the operating result.

The financial statements for associates and joint ventures are prepared at the same reporting date as the Group. Where necessary, the Group may adjust these to bring them in line with Group accounting policies.

Subsequently to applying the equity method, the Group assesses whether to recognise an impairment in its equity investment in the associates or joint ventures. At each reporting date, the Group assesses whether there are any objective signs that equity investments in associates or joint ventures have undergone impairment. In this case, the Group calculates the loss as the difference between the recoverable value of the associate or joint venture and the recognised value of the latter in its own financial statements, recognising this difference in the Income Statement under “attributable share of profit/(loss) of associates and joint ventures”.

On losing the significant influence over an associate or joint control over a joint venture, the Group assesses and records the remaining equity investment at fair value. The difference between the carrying value for the equity investment at the date of losing significant influence or joint control, and the fair value of the residual equity investment and fees received, is recognised in the income statement.

5) Revenue from disposal of goods and services

The Group works in the waste collection and management sector through the parent company and in the gas and electricity sales, gas distribution and other minor business sectors through the consolidated Estra.

The Group considers whether there are other promises contained in the contract, which represent performance obligations, and to which a portion of the transaction fee needs to be allocated (for example, guarantees, customer loyalty plans). In determining the price for a sales transaction, the Group considers the effects resulting from a variable fee, significant financing components, non-monetary fees, and fees payable to the customer (if applicable).

If the promised fee in the contract includes a variable amount, the Group estimates the amount for the fee, to which it will be entitled in exchange for the transfer of the goods to the customer.
The variable fee is estimated at the time of signing the contract, and its recognition is not possible until it becomes highly probable that when the uncertainty associated with the variable fee is subsequently resolved, there will not be a significant reduction recognised in the cumulative revenue amount already recognised.

Revenue from integrated waste management

These are revenues deriving from the activities performed under the Service Contract (SC) signed by Alia Servizi Ambientali on 31 August 2017. The subject of the SC is the execution, with the territory of Toscana Centro OTA (“OTA”), of waste collection, transport and sweeping, plant management, management of landfills post closure and the establishment of collection centres and relative accessory activities.

Revenues deriving from the provision of the services described above are recognised when they have been rendered with reference to progress status, considering that the Group provides these services in line with a given period of time.

Revenues from management of gas and electricity sales and gas distribution

Revenue from sales is recognised when the entity has transferred control of the goods to the buyer, which generally occurs on the date of delivery of the goods.
Revenue from the sale of electricity and gas is recognised and accounted for at the time of providing the supply, recorded according to a predetermined calendar for consumption readings, and at the end of the period, includes the estimate for the supply of gas and electricity provided to final customers and not yet invoiced at 31 December. Revenue for the sale of electricity and gas is recognised and stated at the time of supply and includes the allocation for supplies rendered but not yet invoiced.

Revenue from distribution is recognised on the basis of the tariffs approved by the Italian Regulatory Authority for Electricity, Gas and Water [ARERA], and are subject to equalisation at the end of the period to reflect the remuneration approved by the Authority against the investments made, according to the accrual principle.
Revenue referring to the provision of services is recognised on the basis of the service rendered in accordance with the relative contracts.

Revenue from trading

Revenue from trading in natural gas is recognised as follows:

- Revenue from trading transactions that meet the so-called "own use exemption" is recognised at the time of provision, and stated separately from the relative costs to purchase the gas;
- Revenue deriving from trading transactions that do not meet the so-called "own use exemption", but which envisage the physical delivery of the gas sold. In these circumstances, the Group only obtains control of the gas temporarily and instrumentally on the signing of the contracts. The transactions are put in place with various counterparties, in respect of whom there is a distinct credit risk. Moreover, the fee paid to the Group in these contracts is determined in order to maximise the margin from the transaction as a whole. These revenues are accounted for net of the related purchase costs in the income statement item "Raw materials, ancillary materials and goods" with a separate disclosure in the explanatory notes.

The sales and purchase obligations at the reporting date, in respect of which the delivery of the physical gas has not yet occurred, are measured at fair value through profit & loss (FVTPL) in accordance with IFRS 9, and recorded in the income statement under "Raw materials, ancillary materials and goods" with a separate disclosure in the explanatory notes. See also note n) on derivative instruments in this regard.

Revenue for construction services in favour of the Granting Entity

Revenues for construction services refer to the measurement of construction services provided by the Group in favour of the Granting Entity, to carry out investments in relation to the Concession Rights and are recognised on a fair value basis. The fair value of the fee for construction and expansion services for assets under concession rendered by the Group is determined based on the fair value of the fee for construction and expansion services provided by third parties, internal and external design costs and internal costs incurred for works planning and coordination activities carried out by a specific internal unit. The revenue in question is recognised when the services have been rendered with reference to progress status, considering that the Granting Entity simultaneously receives and uses the benefits deriving from the work as it is gradually performed.

Note to that end that the Group recognises as trade receivables its unconditional right to receive the fee relative to works performed (invoices issued and to be issued), while the amount due from customers for services performed is recognised under "assets from contracts with customers", net of any advances received.

Other revenue

Revenues deriving from other services rendered by the Group are recognised when these have been rendered with reference to progress status.

Revenue from the disposal of assets is recognised when control over the asset involved in the transaction has been transferred to the purchaser or when the customer acquires the full ability to decide how to use the asset, as well as to obtain substantially all benefits from the same.

6) Contractual assets

Contract assets represent the entity's right to obtain the fee agreed on against the transfer of control of the goods or services to the customer.

If the Group fulfils its obligation by transferring the goods or services to the customer prior to the latter paying the fee or prior to payment being due, the entity must record an asset deriving from a contract, excluding the amounts presented as credits.

7) Trade receivables

For the Group, a receivable represents the unconditional right to receive the fee (i.e. all that is needed is for the time to lapse so that payment of the fee may be received). Please see the section on standards in the section "Financial instruments - initial recognition and subsequent measurement".

8) Costs
Costs are recognised in the income statement when their existence is certain, the amount can be objectively determined and when the substance of the operation makes it possible to determine the company has incurred the costs based on the accrual principle.

9) Contractual liabilities
Contract-based liabilities represent an obligation to transfer goods or services to the customer, where the Group has already received the fee (or where a portion of the fee is outstanding). If the customer pays the fee before the Group has transferred control of the goods or services, the liability arising from the contract is recognised when payment is made or (if earlier), when is it due. Liabilities deriving from contracts are recognised as revenue when the Group satisfies the performance obligations in the relevant contract.

10) Costs of obtaining a contract
The Group pays commissions to acquire contracts via indirect sales channels. IFRS 15 requires that certain criteria must be met to record the incremental costs to obtain a contract and the costs incurred to execute the contract with the customer, under assets. Any capitalised costs to obtain contracts must be amortised on a straight line basis, based on the transfer of the goods or services by the entity to the customer. Incremental costs to obtain a contract and the costs to fulfil a contract are recorded as assets pursuant to IFRS 15, and the closing asset balance, amortisation amounts and any losses for impairment during the period are stated separately. Nonetheless, IFRS 15 does not make any stipulation regarding the classification of these assets and the relevant amortisation. Without a standard that deals specifically with the classification and presentation of costs to obtain contracts, the Group has adopted the general IAS 8 standard to select the appropriate accounting treatment. According to this standard, incremental costs to obtain a contract and the costs incurred to fulfil a contract, must be considered separately for recognition in the financial statements.
The Group has chosen a distinctive class of intangible assets in the statements of consolidated financial position, and the relevant amortisation in the same item relating to intangible assets amortisation in the scope of applying IAS 38 - Intangible assets.

11) Dividends
Dividends are recognised when the Group is entitled to receive payment, which generally corresponds with the time the Shareholders' Meeting approves the distribution.

12) Public grants
Public grants are recognised at fair value when there is reasonable certainty that the grants will effectively be received, and that all the relevant conditions have been met. Grants relating to cost components are recognised as revenue on a straight line basis over the financial periods, so that they are commensurate to the cost they intend offsetting. The grant related to an asset is recognised as revenue, and stated in equal portions across the reference asset's expected useful life.
When the Group receives a non-monetary grant, the asset and relative contribution are recorded at nominal value, and stated in the income statement in equal portions across the reference asset's useful life.
Operating grants (provided to offer immediate financial support for the company or to offset expenses and losses incurred in a previous year) are recognised entirely in the income statement at the time the requirements for recognition are met.

13) Financial income
Financial income is recognised on an accrual basis. It includes interest income from invested funds, exchange gains and income from financial instruments, when not offset in the context of hedging operations. Interest income is recognised in the income statement at the time it accrues, considering the effective return.

14) Financial expenses
Financial expenses directly attributable to the acquisition, construction or production of an asset that requires quite a long time before it becomes available for use, are capitalised on the cost of the asset itself and amortised throughout the useful life assigned to the relevant class of assets. All financial expenses are recognised among the costs relating to the period in which they were incurred. Financial expenses comprise interest and the other costs that an entity may support to obtain the funding.

Financial expenses are recognised on an accrual basis and include interest expense on financial payables calculated using the effective interest method and exchange losses. Financial expenses also include the financial component of the annual allocation to the provision for reinstatements.

15) Income taxes

a) Current taxes

Current tax assets and liabilities are measured at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued, or effectively in force at the reporting date.
Current taxes referring to items recognised directly under shareholders' equity are also recognised at equity and not in the income statement. Management periodically reviews the position taken on the tax returns, and in cases where tax regulations are subject to interpretation, and where appropriate, makes the necessary provisions.

b) Deferred taxes

Deferred taxes are calculated by applying the liability method to the temporary differences at the reporting date between the tax asset and liability figures and the corresponding carrying value.
Deferred tax liabilities are recognised for all temporary taxable differences, except for:

- deferred tax liabilities deriving from the initial recognition of goodwill or an asset or liability in a transaction not representing a business combination, which at the time of the transaction, does not affect the accounting or tax balance;
- the reversal of taxable temporary differences related to equity investments in subsidiaries, associates and joint ventures, may be controlled, and it is probable that the reversal will not occur in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried tax losses and credit can be utilised, unless:

- the deferred tax assets related to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction not representing a business combination, which at the time of the transaction, does not influence the balance sheet or tax balance;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.
Deferred taxes referring to items recognised off the income statement are also recognised in the income statement, and therefore in shareholders' equity or the statement of comprehensive income, according to the item they refer to.
Deferred tax assets and liabilities are offset where there is a legal basis, which allows for the offsetting of current tax assets and liabilities, and the deferred taxes refer to the same tax payer and same tax authorities.
Tax benefits gained as a result of a business combination, but which do not meet the criteria for separate recognition at the acquisition date, are subsequently recognised at the time when new information is obtained regarding the changes in facts and circumstances. The adjustment is recognised by reducing goodwill (up to the goodwill's value), in the event it was recorded during the measurement stage, or in the income statement, if recognised afterwards.

c) Uncertainty on treatments for income tax purposes

In the definition of uncertainty it is considered whether a given tax treatment will be acceptable to the Tax Authority. If it is considered probable that the tax authority will accept the tax treatment (the term probable is understood as "more probable than not"), the Group recognises and measures its current or deferred tax assets and liabilities applying the rules of IAS 12.
Conversely, if there is uncertainty on treatments for income tax purposes, the Group reflects the effect of this uncertainty making use of the method that best provides for resolution of the uncertain tax treatment. The Group decides whether to take into consideration each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, choosing the approach that best provides for the solution of the uncertainty.

In assessing whether and in what way the uncertainty affects the tax treatment, the Group assumes that the Tax Authority will or will not accept an uncertain tax treatment presuming that the same, in the audit stage, will check the amounts that it has the right to examine and that it will be completely cognisant of all the related information. When it concludes that it is not probable that the tax authority will accept an uncertain tax treatment, the Group reflects the effect of this uncertainty in determining the current and deferred taxes, using the method of the expected value or the most probable amount, according to which method better provides for the solution of the uncertainty.
The Group makes significant use of professional judgement in identifying the solution of the uncertainties on treatments for income tax purposes and re-examines the judgements and estimates made in the presence of a change in the facts and circumstances that modify its forecasts on the acceptability of a certain tax treatment or the estimates made on the effects of the uncertainty, or both.
As the uncertain tax positions refer to the definition of income taxes, the Group presents uncertain tax assets/liabilities as current or deferred taxes.

16) Indirect taxes

Costs, revenue, assets and liabilities are recognised net of indirect taxes, such as value-added tax, except for:

- tax applied to the purchase of goods and services is not deductible; in this case this is recognised as part of the asset's purchase cost or part of the cost recorded in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of indirect tax that needs to be recovered or paid to the tax authorities is included among receivables or payables.

17) Property, plant and equipment

Property, plant and equipment are entered at purchase or production cost inclusive of ancillary expenses, or at the amount based on an expert's appraisal of the company's assets in the case of business acquisitions, and is shown net of depreciation and any impairment. Production costs includes the direct and indirect costs for the portion reasonably attributable to the asset (for example: personnel costs, transport, customs duties, expenses to prepare installation premises, testing costs, notary and land register costs).
This cost also includes the costs to replace machinery and installations at the time they are incurred, provided they comply with recognition criteria. Where the periodic replacement of significant parts of plants and equipment is necessary, the Group depreciates these separately based on their specific useful life. Likewise, with major overhauls, the costs are included in the plant or machinery's carrying amount, as in the case of replacement, where the recognition criteria are met. All costs for repairs and maintenance are recognised in the income statement when they are incurred. The effective cost of dismantling and removing an asset at the end of its use is included in the asset's cost, should the recognition criteria be met for a provision.
The carrying amount of property, plant and equipment is subject to a test to assess whether there has been any impairment, in particular when events or changes indicate that the carrying amount cannot be recovered (for further details, reference is made to the note "Impairment of non-current assets).
Depreciation begins when the asset is available for use. Assets under construction include the costs relating to the tangible asset that is not yet available for use. Tangible assets are depreciated on a straight-line basis annually, using economic and technical rates deemed representative of the assets' residual useful lives.

Landfills are depreciated based on the percentage filled, determined as the ratio between the volume occupied at the end of the period and the overall authorised volume.

When specific information arises that suggests a lasting loss of value, property, plant and equipment is subject to an impairment test, using the criteria described in the section "Loss of value (impairment)".

The carrying value of property, plant and equipment and any other significant component initially recorded, are eliminated at the time of disposal (i.e. the date when the purchaser obtains control thereof) or when no future economic benefit is expected from their use or disposal. The gain/loss emerging at the time of the asset's accounting elimination (calculated as the difference between the asset's carrying value and net fee) is recorded in the income statement.

The residual values, useful lives and depreciation methods for property, plant and equipment are reviewed at each reporting date, and corrected prospectively where appropriate.

Based on the verification of the consistency of residual useful lives for assets from an accounting point of view with the effective physical, technical and technological durations of individual assets, also taking into account the study performed by ARERA (Regulatory Authority for Energy, Networks and the Environment), against which the useful lives for various categories of assets have been presented, the depreciation rates applicable to the following categories of assets have been established, solely for the parent company.

Below is the schedule of rates used for the various types of property, plant and equipment (minimum and maximum) relative to the waste management and collection sector:

Category	Depreciation rates
Civil and Industrial Buildings	2.50%–3%
Light Constructions	10%–14.29%
Landfill - operating machines and excavators	6.67%
Landfill - other systems	6.67%
Sorting and Composting System - pretreatment	8.33%
Sorting and Compositing System - composting and anaerobic digestion	5.00%
Sorting and Compositing System - biogas and percolate collection and treatment	4.00%
Sorting and Composting System - other systems	6.67%
Other systems	10%–15.50%
Photovoltaic System	10.00%
Equip. Sundry and Small Workshop	14.29%–25%
Other Sundry and Small Equipment	10%–14.29%
Motor Vehicles	12.50%–20%
Transport Vehicles	20.00%–25%
Sundry Equipment, Door to Door Collection	20.00%
Skips	12.50%
Recycling Banks	12.50%
Bins	20.00%
Fully Depreciable Assets	100.00%

Relating to gas distribution:

Category	Depreciation rates
Land	not subject to depreciation
Industrial buildings	2%
Urban networks and connections	2%
Connections	2.50%
Stations	10%
Tanks and storage facilities	10%
Facilities for remote operations	10%
Metering equipment	10%

Relating to other specific Group business sectors:

Category	Depreciation rates
Heat - District heating network	3.3%
Heat - Thermoelectric Plants	4%
Heat - Heat management facilities under concession	14.29%–11.11% (contract duration)
Telephony - Conduits	2.5%
Telephony - Optical and copper cables	5%
Telephony – SDH node, networking, access and video surveillance equipment	12.5%
Telephony – Hardware and mobile phones	20%
Renewable energy - photovoltaic plants	5%
Waste selection - Plant	4%

With regard to the remaining asset categories, the depreciation rates applied are the following:

Category	Depreciation rates
Light constructions	10%
Electronic machines	20%
Ordinary Office Furniture, Machines	12%–14.29%
Equipment	10%
Industrial vehicles	20%
Other vehicles	25%

18) Real estate investments

A real estate investment is held to receive rent or allow the capital invested to appreciate or both. Hence, a real estate investment gives rise to cash flows which are essentially independent to the other assets held by the Group.

Real estate investments are initially measured at cost. The costs of the operation are included in the initial measurement.
The cost of a real estate investment includes the purchase price and any expense directly attributable to the same. For example, directly attributable costs include professional fees for the supply of legal services, taxes to transfer ownership of the properties and other transaction costs.

After initial recognition, the Group measures real estate investments:

a) in line with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, if the criteria are met for classification as held for sale (or if they are part of a group classified as held for sale);
b) in line with IFRS 16 if they are held by the lessee as an asset consistent with the right of use and are not held for sale in line with IFRS 5; and
c) in line with the provisions of the IAS 16 cost model in all other cases.

The Group makes changes that lead to the classification of a property that was not previously a real estate investment as such and vice versa when and only when there has been a change in its use.

19) Intangible assets

Intangible assets acquired separately are initially recorded at cost, whereas those acquired via business combinations are recognised at fair value on the acquisition date. After initial recognition, intangible assets are recorded net of the accumulated amortisation and any impairments. Internally produced intangible assets, excluding development costs, are not capitalised and are recorded in the income statement in the period they were incurred.

Intangible assets acquired or produced internally are recognised in the assets when it is probable that use of the same will generate future economic benefits and when the cost of the asset can be reliably determined.

Intangible assets refer to assets without identifiable physical substance, controlled by the company and able to produce future economic benefits.

Identifiability is defined with reference to the possibility of distinguishing the intangible asset from goodwill. This requirement is generally met when: (i) the intangible asset is associated with a legal or contractual right, or (ii) the fixed asset can be separated, that is sold, transferred, rented or exchanged independently or as an integral part of other fixed assets.

An entity controls an asset if the entity can use future economic benefits deriving from the fixed asset and has the possibility of restricting access to the same for others.

The useful life of intangible assets is measured as limited or indefinite.

Intangible assets with a defined useful life are recognised net of accumulated amortisation and any impairment losses determined using the same methods previously indicated for property, plant and equipment. Changes in the expected useful life or in the methods in which future economic benefits linked to the intangible fixed assets are achieved by the entity are recognised, adjusting the period or amortisation method and handled as changes in accounting estimates. Amortisation rates for intangible assets with a defined useful life are recognised in the income statement under the cost category relating to the function of the intangible asset.

The amortisation period and method for an intangible asset with a limited life are reviewed at least at the end of each period. Changes in the expected useful life or ways in which future economic benefits associated with the asset will be realised, are recognised by changes to the amortisation period or method, as the case may be, and are considered as accounting estimate changes.
Intangible assets with an indefinite life are not amortised, but are subject to annual impairment testing, both at individual level and at the cash-generating unit level. The assessment of the indefinite life is reviewed annually to determine whether this allocation is sustainable, otherwise the change from the indefinite useful life to limited useful life is applied on a prospective basis.
Gains or losses deriving from the elimination of an intangible asset are measured by the difference between the net revenue from the disposal (at the date when the purchaser gains control) and the carrying amount of the intangible asset, and are recognised in the Income Statement in the period in which the elimination takes place.

Development costs are recognised in the assets only if all the following conditions are met: the costs can reliably be determined and the technical feasibility of the product and expected volumes and prices indicate that the costs incurred in the development stage will generate future economic benefits. Capitalised development costs include only expenses incurred that can be directly attributed to the development process. Capitalised development costs are amortised using a systematic criteria, when production begins and throughout the estimated life of the product. All other development costs are recognised in the income statement when they are incurred.

In the presence of specific impairment indicators, intangible fixed assets are subject to an impairment test utilising the criteria described in the section "Loss of value (impairment)". Any impairment recognised may be subject to later writebacks if the reasons that led to the impairment cease to exist.

The gain or loss arising from derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in income statement when the asset is derecognized.

Any goodwill and other intangible assets with undefined useful lives, if present, are not subject to amortisation. The recoverability of their carrying amount is verified at least once a year and in any case whenever events occur which could indicate impairment, with the exception of goodwill, which undergoes an impairment test at least once a year.

20) Concession rights

Concession rights represent the right of the concession holder to utilise the asset (intangible asset method) under the concession, in consideration of the costs incurred to design and construct the asset which must be returned at the end of the concession. Concession rights are recognised on a fair value basis (estimated based the cost incurred) with reference to intangible assets relative to the construction and expansion of assets falling within the scope of IFRIC 12.
If the fair value of services received cannot be reliably determined, revenue is calculated based on the fair value of the services supplied (fair value of construction services performed).

During the construction phase, the Group records a contract asset when the right to a fee in kind is not subject to performance risks.

Restoration or replacement activities are not capitalised and fall within the estimates of provisions for restoration or replacement. The reader is referred to the information found with reference to provisions for risks.
The provision for amortisation/depreciation and the provision for restoration and replacement, considered together, ensure adequate coverage of the following charges:

- transfer to the incoming Manager, at the carrying amount, upon expiration of the concession for assets transferable free of charge with a useful life that exceeds the duration of the concession;

- restoration or replacement of components subject to wear within the assets used under the concession;

When events occur that indicate impairment of these intangible assets, the difference between the carrying amount and the relative "recoverable value" is recognised in the income statement.

Amortisation of concession rights is carried out, solely for assets for which a "takeover value" will be recognised at the end of the concession, based on the useful life of the underlying assets, using the criteria found in the table in the section "Property, plant and equipment". On the other hand, assets that are not used to determine the takeover value, are amortised based on the lesser of the duration of the concession and the useful life of the individual assets.

As from financial year 2023, following the expansion of the scope of consolidation to include companies working in the gas and energy sectors, the Group recognises concession rights pertaining to waste collection management separately from those relative to the gas distribution sector.

21) Losses in value for non-current assets

At each reporting date, the Group assesses whether losses in value indicators exist in relation to non-current assets. In this case, or in the cases where an annual impairment test is required, the Group estimates the recoverable value. The recoverable value is the higher between the asset or cash-generating unit's fair value, net of sales costs, and its value in use. The recoverable value is determined per individual asset, except when this asset generates cash that is not largely independent from what is generated from other assets or groups of assets. If the carrying value an asset is higher than its recoverable value, the asset has lost value and is consequently written down to its recoverable value.
In determining the value of use, the Group discounts estimated future financial flows to current value using a discount rate that reflects the market valuation for the current value of money and specific asset risks. Recent transactions on the market are considered when determining the fair value net of sales costs. If it is not possible to identify these transactions, an appropriate valuation model is used.
The Group bases its impairment test on detailed budgets and provisional calculations, prepared separately for each of the Group's cash-generating units allocated individual assets. A long-term growth rate is calculated in these budgets and provisional calculations to project future cash flows beyond the last year included in the plan.
Value impairments of assets in use are posted to the income statement in the cost categories consistent with the function of the asset which has shown the value impairment.

For assets other than goodwill, at each reporting date, the Group assesses any indications of a loss (or reduction) in value previously recorded, and where these indicators exist, estimates the asset's or CGU's recoverable value. The value of an asset that was previously written down can only be restored if there were changes in the assumptions on which the recoverable value calculation was based, subsequent to the recording of the last impairment. The recovery in value cannot exceed the carrying value that would have been determined, net of amortisation, had no impairment been recognised in previous periods.

Goodwill is subject to impairment testing at least once a year (at 31 December), and with greater frequency, when circumstances indicate that the entry value could be subject to a loss in value.
The impairment is determined by valuing the recoverable value for the cash-generating unit (or group of cash-generating units) that the goodwill refers to. An impairment loss is recognised when the recoverable value for a cash-generating unit is lower than the cash-generating unit's carrying value that the goodwill was allocated to. The loss in value for goodwill cannot be recovered in future periods.

22) Leases

At the time of signing a contract, the Group assesses whether or not it contains a lease. In other words, whether the contract confers the right of use of an identified asset over a period of time, in exchange for a fee. The Group only operates as a lessee, adopting a single model to recognise and measure all leases, excluding short-term leases and the leases for low-value assets. The Group recognises liabilities for lease payments and right of use assets that represent the right to use the asset underlying the contract. Therefore, for all leases in which it is a lessee, with the exception of short-term leases (i.e. contracts with a duration of 12 months or less and which do not contain a purchase option) and low value leases (i.e. with a unit value of less than € 5

thousand), it recognises a right of use, that is the right to utilise the asset underlying the contract, as from the start of the lease, corresponding to the date on which the underlying asset is available for use.
Lease fees relative to short-term and low-value contracts are recognised as costs in the income statement at constant rates throughout the duration of the lease.

Right-of-use assets

The Group recognises right-of-use assets from the date the lease starts (i.e. the date when the underlying asset is available for use).
Right-of-use assets are measured at cost, net of cumulative amortisation and impairment, and adjusted for any redetermined lease liabilities. The value assigned to rights of use corresponds to the amount of the lease liability recognised, in addition to any initial direct costs incurred, lease fees settled on the day the contract began or previously and writeback costs, net of any leasing incentives received. The discounted value of the liability determined in this way increases the right of use for the underlying asset, with a dedicated provision established as a balancing entry. Unless the Group is reasonably certain to become the owner of the leased asset at the end of the lease, rights of use are amortised at a constant rate over the lesser of the estimated useful life or the duration of the contract.

The duration of the lease is calculated considering the non-cancellable period of the lease, together with periods covered by an option to extend the agreement, if this is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if this is reasonably certain to not be exercised. The Group determines whether it is reasonably certain to exercise extension or termination options or not, taking into account all relevant factors which create economic incentives for these decisions.

Right-of-use assets are subject to impairment. Reference is made to the section "Impairment of non-financial assets".

Lease related liabilities

Financial liabilities for leases are recognised on the date the agreement is recognised for a total value equal to the current value of the lease payments to be made during the duration of the contract, discounted using incremental borrowing rates (IBR) when the implicit interest rate in the contract cannot be easily determined.

The payments include the fixed payments (including basic fixed payments), net of any lease incentives to be received, the variable lease payments that are dependent on an index or rate, and the amounts to be paid by way of a guarantee or residual value. Lease payments also include the exercise price of the purchase option, if the lessee is reasonably certain that this option will be exercised by the Group, and the payment of any penalties to terminate the lease, if the lease term takes into account the Group exercising the option to terminate the lease.
Variable lease payments that are not dependant on an index or rate are recognised as costs over the period (unless there were incurred to produce inventories) when the event or the condition generating the payment occurred.

IFRS 16 asks management to make estimates and assumptions that could impact the measurement of the rights of use and financial liabilities for leases, including the determination of: contracts applying new rules for measuring assets/liabilities with the financial method; contract terms; interest rates used for future lease payments.

23) Financial instruments - Recognition and measurement

A financial instrument is any contract that gives rise to a financial asset for an entity and a to financial liability or an equity instrument for another entity.

24) Financial assets

Initial recognition and measurement

At the time of initial recognition, financial assets are classified based on the subsequent measurement method, i.e. at amortised cost, fair value recognised in profit and loss OCI and at fair value recognised in the income statement.

The classification of financial assets at the time of initial recognition depends on the characteristics of the contract cash flows for the financial assets and the business model the Group uses to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs in the case of a financial asset not at fair value recognised in the income statement. Trade receivables that do not include a significant financing component or where the Group has applied a practical expedient are measured at the transaction price.
In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the principal amount to be repaid (i.e. solely payments of principal and interest or SPPI). This assessment is referred to as a SPPI test and is conducted at instrument level. Financial assets with cash flows that do not meet the requisites indicated above (e.g. SPPI) are classified and measured at fair value through profit or loss.
The Group's business model for managing financial assets refers to the way in which it manages its financial assets to generate cash flows. The business model determines whether the cash flows will derive from the collection of contract-based financial flows, from the sale of financial assets or both.
Financial assets classified and measured at amortised cost are held in the context of a business model whose objective is the possession of financial assets for the purpose of collecting contractual cash flows, while financial assets classified and measured at fair value through OCI are held in the context of a business model whose objective is achieved both through collecting contractual cash flows and through sale of the financial assets.
The purchase or sale of a financial asset that requires delivery within a time period generally set according to regulations or market practice (i.e. regular way trade) is recognised at the trade date, i.e. the date on which the Group has undertaken to buy or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value recorded in the comprehensive income statement with reclassification of accumulated profit and loss (debt instruments);
- Financial assets at fair value recorded in the comprehensive income statement without the reversal of profit and loss accumulated at the time of elimination (capital representative instruments);
- Financial assets at fair value recognised in the income statement.

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest criterion and are subject to impairment. Profit and loss are recorded in the Income Statement when the asset is eliminated, amended or revalued.
The Group's financial assets at amortised cost include trade receivables, a loan to an associate, a loan to a director included in other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)
For assets from debt instruments measured at fair value through OCI, the interest income, the changes owing to exchange differences and write-downs, together with write-backs, are recognised in the income statement and are calculated in the same way as financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. At the moment of elimination, the cumulative fair value change recognised in OCI is reclassified in the income statement.
The Group's assets from debt instruments measured at fair value through OCI include investments in listed debt instruments included in other non-current financial assets.

Investments in equity instruments
At the moment of initial recognition, the Group may irrevocably choose to classify its investments in shares as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments under the terms of IAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.
Gains and losses made on these financial assets are never booked to the Income Statement. Dividends are recognised as other revenue in the income statement when the right to payment has been resolved, except when the Group benefits from this income as a recovery of part of the cost of the financial asset, in which case

these gains are recognised in OCI. Equity instruments recognised at fair value through OCI are not subject to impairment tests.

Financial assets at fair value recognised in the income statement
Financial instruments at fair value with changes recorded in the income statement are recognised in the statement of financial position at fair value and the net changes in fair value recorded in the profit and loss statement for the period.
This category includes derivative instruments and listed equity investments that the Group has not chosen irrevocably to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit/(loss) for the year when the right to payment has been established.
Embedded derivatives contained in a non-derivative hybrid contract, in a financial liability or a non-financial principal contract, are separated from the principal contract and recognised as separate derivatives, if: its economic characteristics and the associated risks are strictly related to those of the principal contract; a separate instrument with the same conditions of the embedded derivative would satisfy the definition of a derivative; and the hybrid contract is not measured at fair value in the income statement. Embedded derivatives are measured at fair value, with changes in fair value recorded in the income statement. A redetermination occurs only when a change in the contract conditions significantly changes the cash flows otherwise expected or when a financial asset is reclassified to a different category from fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized firstly (i.e. removed from the Group’s statement of financial position) when:
- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them entirely and without delay and (a) has substantially transferred all the risks and benefits of ownership of the financial asset; or (b) has not transferred nor substantially kept all the risks and benefits of the asset, but has transferred control thereof.

If the Group has transferred the rights to receive cash flows from an asset or has signed an agreement on the basis of which it maintains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has kept the risks and benefits related to possession. If it has not either transferred or substantially kept all the risks and benefits of the asset or has not lost control thereof, the asset continues to be recognised in the Group’s financial statements to the extent of its residual involvement in the said asset. In this case, the Group also recognises an associated liability. The asset transferred and the associated liability are measured so as to reflect the rights and obligations that remain pertinent to the Group.
When the residual involvement of the entity is a guarantee on the asset transferred, the involvement is measured on the basis of the lower between the amount of the asset and the maximum amount of the price received that the entity may have to repay.

Impairment

The Group records a write-down for expected loss (expected credit loss or ECL) for all financial assets represented by debt instruments not held at fair value recorded in the income statement. ECLs are based on the difference between the contract financial flows payable according to the contract and all the financial flows that the Group expects to receive, discounted to an approximation of the original effective interest rate. Expected cash flows include financial flows deriving from the execution of collateral or other credit guarantees that form an integral part of the contract conditions.
Expected losses are recognised over two stages. With regard to credit exposures where there has been no significant increase in credit risk from the initial recognition, losses on credit are recorded as they derive from the estimate of default events that are possible within the next 12-month period (12-month ECL). With regard to credit exposures where there has been a significant increase in credit risk from the initial recognition, the expected losses referring to residual period of exposure are fully recorded, regardless of the time when the default event is expected to occur (“Lifetime ECL”).
For trade receivables and contract based assets, the Group applies a simplified approach to the calculation of expected losses. The Group does not therefore monitor changes in credit risk, but fully records the expected loss at each reporting date. The Group has prepared a matrix system based on historic information, which is revised in view of forecast elements with reference to specific types of debtors and their economic context, and is used as a tool to determine expected losses.

For assets represented by debt instruments measured at fair value through OCI, the Group applies the simplified approach permitted for assets with low credit risk. At each reporting date, the Group assesses whether it believes that the debt instrument has a low credit risk using all the available information that can be obtained without excessive costs or efforts. In carrying out this assessment, the Group monitors the creditworthiness of the debt instrument. In addition, the Group assumes that there has been a significant increase in credit risk when contractual payment are past due for more than 60 days.

A financial asset is eliminated when there is no reasonable expectation of recovering the contract-based financial flows.

25) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments including: currency forward contracts, interest rate swaps and forward contracts for the purchase of commodities to hedge, respectively, its exchange rate risks, interest rate risks and commodity price risks. These derivative financial instruments are initially recognised at fair value at the date in which the derivative contract is signed and, subsequently, they are measured at fair value. Derivatives are accounted for as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, hedges are of three types:

- fair value hedges in the case of hedging of the exposure against changes in the fair value of the asset or liability recognised or irrevocable commitment not recognised;
- cash flow hedges in the case of hedging of the exposure against changes in the cash flows attributable to a particular risk associated with all the assets or liabilities recognised or with a highly probable planned operation or the foreign currency risk on irrevocable commitment not recognised;
- hedging of a net investment in a foreign operation.

At the beginning of a hedging operation, the Group designates and formally documents the hedging relationship, to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.
The hedging relationship meets the criteria of admissibility for hedge accounting if it meets all the following hedging effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the said economic relationship;
- the hedging ratio of the economic relationship is the same as that resulting from the quantity of the hedged item that the Group effectively hedges and from the quantity of the hedging instrument that the Group uses effectively to hedge this quantity of hedged item.

The operations that meet all the qualifying criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in fair value of hedging derivatives is recognised in the statement of profit/(loss) for the year among other costs. The change in fair value of the hedged item attributable to the risk hedged is recognised as part of the carrying amount of the hedged item and is also recognised in the statement of profit/(loss) for the year among other costs.
As regards fair value hedges referred to items accounted for according to the criterion of amortised cost, each adjustment of the carrying amount is amortised in the statement of profit/(loss) for the year along the residual period of the hedging using the effective interest rate (EIR) method. The amortisation thus determined can begin as soon as there is an adjustment but cannot extend beyond the date in which the hedged item ceases to be adjusted as a result of the changes in fair value attributable to the risk hedged.
If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit/(loss) for the year.

When an unrecognised irrevocable commitment is designated as a hedged item, the subsequent cumulative changes in its fair value attributable to the risk hedged are accounted for as assets or liabilities and the corresponding gains or losses recognised in the statement of profit/(loss) for the year.

Cash flow hedges
The portion of gain or loss on the hedged instrument, related to the part of effective hedging, is recognised in the statement of other comprehensive income in the "cash flow hedge" reserve, while the ineffective part is recognised directly in the statement of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower between the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.
The Group uses forward currency contracts to hedge its exposure to exchange rate risk related both to planned transactions and to commitments already established; in the same way, it uses forward commodity contracts to hedge against the volatility of commodity prices. The ineffective part of forward currency contracts is recognised in other costs and the ineffective part of forward commodity contracts is recognised among other operating costs or income.
The Group designates only the spot component of forward contracts as a hedging instrument. The forward component is cumulatively recognised in OCI in a separate item.
The amounts accumulated among other comprehensive income are accounted for, according to the nature of the underlying hedged transaction. If the hedged operation subsequently entails the recognition of a non-financial component, the amount accumulated in shareholders' equity is removed from the separate component of shareholders' equity and included in the cost value or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognised in OCI for the period. This is valid also in the case of a hedged planned operation of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which the accounting of fair value hedging operations applies.
For any other cash flow hedging, the amount accumulated in OCI is reclassified to the income statement as an adjustment from reclassification in the same period or in the periods during which the hedged cash flows impact the income statement.
If the cash flow hedge accounting is interrupted, the amount accumulated in OCI must remain such if it is expected that the hedged future cash flows will occur. Otherwise, the amount must immediately be reclassified in profit/(loss) for the year as a reclassification adjustment. After the suspension, once the hedged cash flow occurs, any remaining amount accumulated in OCI must be accounted for according to the nature of the underlying transaction as described above.

At each reporting date, hedging financial instruments are subjected to an efficiency test to check if the cover has the requirements to qualify as effective hedging and to be recognised according to hedge accounting standards.

The derivative financial instruments used are measured at fair value in relation to the market forward curve at the reporting date, when the underlying of the derivative is traded on markets that present official and liquid forward price listings. In the case that the market does not present forward listings, provisional price curves are used, based on evaluation techniques.

The Group holds financial derivative instruments in the following categories:
- Non-current financial derivative hedging instruments, referring mainly to Interest Rate Swap (IRS) contracts to hedge the risk of unfavourable interest rates on loans or long-term leasing plans. The effective portion of changes in the fair value of derivatives is directly recognised in shareholders' equity under a specific equity provision called the "Cash flow hedge reserve", whereas the ineffective portion is recorded in the income statement. Amounts that are directly recognised in shareholders' equity are reflected in the comprehensive income statement.
- Commodity Swaps entered into for the purpose of hedging price indices for volumes sold, in order to limit price risk deriving from specific gas purchase transactions at a fixed price and resale at a variable price (or vice versa) at different times. Derivative changes in fair value that meet the IFRS 9 requirements to qualify as hedging instruments are recognised in a specific shareholders' equity reserve, called the "Cash flow hedge reserve". Changes to the fair value that do not meet the conditions, including formal ones, required by IFRS 9 to qualify as hedging instruments are recognised in the Income Statement.

- Commodity forward contracts to buy or sell that provide for the physical delivery of gas in subsequent periods. Their measurement depends on the classification of the instrument in one of the following categories:
  - Forward contracts used in gas trading, falling within the scope of application of IFRS 9 as "contracts entered into for trading, speculative and hedging purposes". These financial instruments are measured at fair value at the reporting date with recording of the effects in the income statement under "Expenses/(income) from commodity risk management";
  - Forward contracts used in the marketing of gas, not falling within the scope of application of IFRS 9, because they have been entered into to optimise the Group's own procurement and sales portfolio ("own use"). These financial instruments are recognised at the time of the physical delivery of the underlying commodity.

Further information is contained in the paragraph of the notes to the statements "Objectives and criteria for financial risk management - Risks associated with commodity prices".

26) Inventories

Inventories mainly include:
- spare parts, as well as goods and finished products (granules derived from recycled plastic) functional for waste collection and treatment business;
- natural gas, for distribution of natural gas to end customers.

Inventories were recorded at the lower of the acquisition cost or production cost, including any ancillary costs, and the estimated realizable value based on market prices. The cost configuration adopted is that of the weighted average cost. Any obsolete or slow-moving inventories were written down on the basis of their possible use or implementation.

Any gas storage inventories held for trading were measured at fair value, in relation to the official listings on the reference market at the valuation date.

27) Environmental securities: White certificates

The Group only holds Energy Efficiency Certificates (EECs) for own-use, i.e. in relation to its own requirements (Industrial Portfolio), whereas it holds no units/certificates for trading purposes (Trading Portfolio).
EECs held for own-use ("Industrial Portfolio") acquired to meet requirements, (determined in relation to the obligations accrued at year end), are recognised under current assets at fair value based on their expected realisable value.
Furthermore, a "Risk Provision" is allocated, for EECs that have not yet been acquired (to meet the year obligation) for the difference between the contribution value and market value of the EECs. The provision is recorded under "Other operating costs".

Accounting treatment according to the IFRS is the "Net liabilities approach", based on which the EEC purchase costs are recognised under "Other operating costs" at the time of purchase, whereas the contribution (ARERA/GSE) relating to cancelled EECs is recorded under "Other revenue and income" at the time of effective collection. The EECs in the portfolio at the reporting date are valued based on the contribution value recognised by ARERA/GSE for the current year, and are recognised under "Other revenue and income" and "Receivables from CCSE" [Electricity Equalisation Fund].

28) Cash and cash equivalents and short-term deposits

Cash and cash equivalents include cash in hand and short-term deposits falling due within three months, which are not subject to significant risks of changes in value.
For the purposes of representation in the consolidated cash flow statement, cash and cash equivalents are represented by cash as defined above, net of bank overdrafts, as these are considered an integral part of the Group's liquidity management.

29) Non-current assets held for sale, disposal groups and discontinued operations

Non-current assets held for sale, disposal groups and discontinued operations, where the carrying amount will be recovered principally through a sale transaction instead of through continuing use are measured at the lower of the carrying amount and fair value less costs to sell. More specifically, a disposal group is a group of

assets and directly associated liabilities, which are to be disposed of in a single transaction. Discontinued operations on the other hand, comprise a significant component of a group, such as for example, a major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to resale. In accordance with IFRS standards, data relating to non-current assets held for sale, disposal groups and discontinued operations are presented in two specific items of the financial statements: assets held for sale and liabilities directly associated to assets held for sale.
Non-current assets held for sale are not subject to amortisation and are measured at the lower of the carrying amount and relative fair value, less the sale costs; any difference between the carrying value and fair value reduced by the sales expenses is charged to the income statement as a write-down.
With sole reference to discontinued operations, the net economic results obtained pending the disposal process, the capital gains/losses deriving from the disposal itself and the corresponding comparative data for the period/previous period are presented under a specific item in the income statement: profit (loss) from discontinued assets/ held for sale.

30) Distribution of dividends and distribution of assets other than cash and cash equivalents

The Company records a liability against the distribution of cash or other assets other than cash and cash equivalents when the distribution is appropriately authorised, and is no longer at the Company's discretion. Based on Italian Company law, distribution is authorised when it is approved by shareholders. The corresponding amount is recognised in shareholders' equity.
The distribution of assets other than cash and cash equivalents, which do not refer to the distribution of a non-monetary asset controlled by the latter prior and after distribution, are measured at the fair value of the assets to distribute; the recalculation of fair value is recorded directly under shareholders' equity.
At the time of the dividend payment, any difference between the carrying value of the distributed assets and the carrying value of the payable dividend is recognised in the income statement.

31) Financial liabilities

Initial recognition assessment

Financial liabilities are classified, at the moment of initial recognition, among financial liabilities at fair value through profit or loss, among loans and financing, or among derivatives designated as hedging instruments.
All financial liabilities are recognised initially at fair value to which are added, in the case of loans, financing and payables, the transaction costs directly attributable to them.
The Group's financial liabilities include trade payables and other payables, loans and financing, including current account overdrafts and derivative financial instruments.

Subsequent measurement

For the purposes of subsequent measurement financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (financing and loans)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit or loss.
Liabilities held for trading are all those assumed with the intention of extinguishing them or transferring them in the short term. This category includes in addition derivative financial instruments subscribed by the Group that are not designated as hedging instruments in a hedging relationship defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognised in the statement of profit/(loss) for the year.
Financial liabilities are designated at fair value through profit or loss from the date of first recognition, only if the criteria of IFRS 9 are met.

Financial liabilities at amortised cost (financing and loans)

This is the category most significant for the Group. After initial recognition, loans are measured with the amortised cost criterion using the effective interest rate method. The gains and losses are accounted for in the income statement when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated recognising the premium on acquisition and the fees and costs that are an integral part of the effective interest rate. The amortisation at the effective interest rate is included among financial expenses in the statement of profit/(loss).
This category generally includes interest-bearing loans and receivables.

Derecognition
A financial liability is derecognized when the obligation underlying the liability is extinguished, cancelled or fulfilled. When an existing financial liability is replaced by another from the same provider, with substantially different conditions, or the conditions of an existing liability are substantially amended, this exchange or amendment is treated as an accounting derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in the carrying amounts recorded in the statement of profit/(loss) for the year.

Offsetting of financial instruments
A financial asset and a financial liability can be offset and the net balance presented in the statement of financial position, if there is a current legal right to offset the amounts recognised in the accounts and there is the intention to extinguish the net residue, or to realise the asset and at the same time extinguish the liability.

32) Provisions for risks and charges

Provisions for risks and charges involve costs and charges of a specific nature and certain or probable, which as of the reporting date cannot be specifically determined with reference to the amount or the date on which they will arise. Allocations are recognised when there is a current obligation (legal or implicit) deriving from a past event, for which it is probably that an outlay will be required to meet this obligation, and a reliable estimate of the amount of the same can be made.

Allocations are recognised at the value representing the best estimate of the amount the company would pay to eliminate the obligation, or to transfer it to a third party, as of the reporting date. If the effect of discounting the value of the money is significant, allocations are determined by discounting future expected cash flows at a before tax discount rate that reflects the current market valuation of the cost of money in relation to time. When discounting is done, the increase in the provision due to the passage of time is recorded as financial expense.
If the liability refers to property, plant and equipment, the initial provision is recognised as a balancing entry to the fixed assets to which it refers. The recognition of the charge in the income statement occurs with the depreciation process for the property, plant and equipment to which the charge in question refers.

Provision for restoration and replacement
Pursuant to IFRIC 12 the concession holder does not meet the requirements to recognise the infrastructure as property, plant and equipment and the accounting treatment of work performed on the infrastructure varies based on the nature of the same. More specifically, it is divided into two categories: work associated with normal infrastructure maintenance and replacement and scheduled maintenance scheduled for the infrastructure at a future date.

The first refer to normal ordinary infrastructure maintenance and are recognised in the income statement when incurred, also in line with IFRIC 12. The second category, considering that IFRIC 12 does not envisage recognition of the physical infrastructure asset but rather the right to utilise it, must be recognised in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets which on one hand requires the recognition in the income statement of an allocation divided into an operating component (including possible effects deriving from changes in the discount rate) and a financial component, and on the other, the recognition of a provision for charges in the balance sheet.

Consistent with the requirements established in the concession contract, the provision for restoration or replacement includes the best estimate of the current value of charges accrued for scheduled maintenance at the reporting date, intended to ensure the required function, operation and security of the corpus of assets under the concession, based on information available at the time the financial statements are prepared.

Post closure provisions
This represents the amount allocated to handle costs that must be incurred to manage the closure and post-closure period of landfills currently managed. Future outlays are discounted in line with the provisions of IAS

37. Increases in the provision include the financial components obtained through the discounting procedure and allocations required after changes in the hypotheses for future outlays, following revision of estimates both for landfills currently in use and those which are already full. Uses represent effective outlays during the year. Allocations are made taking into account the provisions of current law (Italian Legislative Decree 36/2003).

33) Post-employment benefits

The employee severance indemnity (TFR) and retirement provisions are determined utilising an actuarial method.
The cost components for defined benefits are recognised as follows:
- costs relative to services provided are recognised in the income statement under personnel costs;
- net financial charges on defined benefit liabilities or assets are recognised in the income statement as financial income(expense) and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking into account payment of contributions and benefits during the period;
- remeasurement components for the net liability, including actuarial gains and losses, the return on assets (excluding interest recognised in the income statement) and any change in the limit on the assets, are immediately recognised under other comprehensive profit (loss). These components cannot be reclassified to the income statement at a later date.

Based on Finance Law no. 296 of 27 December 2006, for the purposes of IAS 19, only liabilities relating to the severance indemnities accrued that have remained with the company were valued, because the accruing portions are paid to a separate entity (Complementary pension or National Pension Fund INPS). Consequent to these payments, the company will have no further obligations related to work provided in future by the employee.
Benefits guaranteed to employees and awarded concurrently or subsequent to their termination of employment, based on definite benefit plans (discounts on electricity, healthcare, other benefits) or long-term benefits (loyalty bonus) are recognised in the period when the right accrues.
Liabilities related to definite benefit programmes, net of any assets servicing the plan, are determined by independent actuaries based on actuarial assumptions, and are recorded in relation to the work needed to obtain the benefits.

34) Contracts to purchase or sell a non-financial element which can be settled net using cash and cash equivalents or another financial instrument

The Group classifies the instrument, or its component, as a financial liability, financial asset or an equity instrument at initial recognition, in line with the substance of the contract.

6.5 Changes to accounting standards and disclosure

The Group has applied the standards or changes for the first that had come into effect from 1 January 2023. The Group has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

Standards or amendments in force from 1 January 2023

IFRS 17 – Insurance contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that covers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all insurance contracts (e.g. life, non-life, direct insurance, and re-insurance), irrespective of the type of entity that issues them, as well as some guarantees and financial instruments with discretionary participation features; certain exceptions to the scope of application are applicable. The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast with the requirements of IFRS 4, which are largely based on maintaining the previous local accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all significant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

These amendments did not have any impact on the Group's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8
Amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting standards and correction of errors. They also clarify how entities use the measurement methods and inputs to develop the accounting estimates.
These amendments did not have any impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide indications and examples to help entities apply materiality judgements to the disclosure on accounting standards. The amendments aim to help entities provide more useful information about accounting standards by replacing the obligation for entities to disclose their "significant" accounting standards with the obligation to disclose their "material" accounting standards and by adding a guide on how entities should apply the concept of materiality when making decisions about the disclosure on accounting standards.
These amendments did not have any impact on the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Taxes restrict the scope of application of the exemption to initial reporting, so that it no longer applies to the transactions that give rise to temporary taxable differences and deductible in equal measure such as leases and liabilities for disposals.
These amendments did not have any impact on the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 were introduced to respond to the BEPS Pillar Two Rules of the OECD and include:

- A temporary mandatory exemption on the disclosure and reporting requirements for deferred taxes that derive from implementation in the jurisdictions of the Pillar Two Rules; and
- Reporting requirements for entities involved to help financial statements users to better understand the impacts on income tax deriving from this legislation, in particular before the effective date of entry into force.

The temporary mandatory exemption – use of which must be disclosed – is immediately applicable. The remaining reporting requirements apply for financial years beginning on or after 1 January 2023, but not for the interim periods before 31 December 2023.

The amendment has no impact on the consolidated financial statements of the Group since the Group is not involved in the Pillar Two Rules because it only operates in Italy.

Standards or amendments issued and not yet in force at the reporting date of 31 December 2023

IFRS accounting standards, amendments and interpretations endorsed by the European Union as at 31 December 2023, but not yet obligatorily applicable nor adopted in advance by the Group as at 31 December 2023

The following IFRS accounting standards, amendments and interpretations have been endorsed by the European Union but were not yet obligatorily applicable nor adopted in advance by the Group as at 31 December 2023.

- On 23 January 2020, the IASB published an amendment known as *"Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"* and on 31 October 2022 published an amendment known as *"Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants"*. These amendments were intended to clarify whether to classify payables and other liabilities as current or non-current. Additionally, the amendments improved the information to be provided by an entity when its right to defer the repayment of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The amendments take effect as from 1 January 2024. Early application is allowed. The Directors do not expect any significant impacts on the Group's consolidated financial statements from adoption of this amendment.
- On 22 September 2022, the IASB published an amendment known as *"Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback".* The document requires the seller-lessee to measure the liability

for the lease deriving from a sale & leaseback so as to not recognise an income or loss which refers to the right of use retained. The amendments take effect as from 1 January 2024. Early application is allowed. The Directors do not expect any significant impacts on the Group's consolidated financial statements from adoption of this amendment.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2023

As of the reference date for this document, the relevant bodies of the European Union had not yet completed the endorsement process to adopt the amendments and standards described below.

- On 25 May 2023, the IASB published an amendment known as *"Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements".* The document requires an entity to provide additional information about reverse factoring agreements which allow financial statement users to evaluate how financial agreements with suppliers may influence the entity's liabilities and cash flows and understood the effect of these agreements on the entity's exposure to liquidity risk. The amendments take effect as from 1 January 2024. Early application is allowed. The Directors do not expect any significant impacts on the Group's consolidated financial statements or the parent company's financial statements from adoption of this amendment.
- On 15 August 2023, the IASB published an amendment known as *"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability".* The document requires an entity to apply a methodology consistently to determine whether a currency can be converted to another and, when not possible, how to determine the exchange rate to use and the information to provide in the Notes. The amendment takes effect as from 1 January 2025. Early application is allowed. The Directors do not expect any significant impacts on the Group's consolidated financial statements or the parent company's financial statements from adoption of this amendment.

The adoption of these amendments is not expected to have any effect on the Group's consolidated financial statements.

6.6 Reclassifications of comparative data

Note that to offer the reader better comparability for the information in the financial statements at 31 December 2023, the presentation of certain amounts relative to the previous year has been modified.
In particular, the following reclassifications occurred:

- to "Consumption of Raw Materials and Consumables" € 1,057,501, previously recognised under the item "Changes in inventories of finished products, semi-finished products and products in progress";
- to "Profit/(loss) from non-financial equity investments" € 929,131 previously recognised under "Stake in profit/(loss) of joint ventures and associated companies";
- to "Other income" € 2,632,814 previously recognised under "Construction Costs, Concession Rights".

7. SIGNIFICANT ACCOUNTING ESTIMATES

In terms of IFRS-EU, the preparation of the Group's financial statements requires directors to make discretionary assessments, estimates and assumptions that influence the figures for income, costs, assets and liabilities and the relevant disclosures, including potential liabilities. Management's estimates and opinions are based on prior experience and on all other aspects deemed reasonable in that case; they are adopted when the carrying value for assets and liabilities is not easy to discern from other sources. The final results may therefore differ from those estimates. Estimates and assumptions are revised periodically, and the effects of any changes are reflected in the income statement, where the revision refers only to that financial period. Where these changes involve both current and future financial periods, the change is recognised in the period when the revision was made and in the relevant future periods.
To provide a better understanding of the financial statements, the main items affected by the use of accounting estimates and that include a significant component of opinions by management are indicated below, highlighting the main assumptions used in the measurement process, in accordance with the aforementioned international accounting standards. The critical nature of these assessments lies in fact with the recourse made to assumptions and/or professional opinions relating to issues that are by nature uncertain.
Changes to the conditions underlying the assumptions and opinions adopted could impact significantly on subsequent results.

Additional information relating to the Group's exposure to risks and uncertainties is provided in the following paragraphs:
- Capital management;
- Objectives and criteria for financial risk management;
- Disclosure on sensitivity analysis.

Significant accounting estimates

The application of generally accepted accounting standards for the preparation of the financial statements, requires that Management makes accounting estimates based on complex and/or subjective judgement, past experience and assumptions deemed reasonable and realistic on the basis of information known at the time of the estimate. The use of these estimates influences the value of assets and liabilities and the information related to potential assets and liabilities at the financial statements date, as well as the income and expense amounts in the reference period. Final results could differ from the estimates made, due to the uncertainties characterising the assumptions and conditions generating the estimates. The main accounting estimates which are considered critical included in the process to prepare the financial statements are shown below, in that they are highly dependent on subjective opinions, assumptions and estimates on issues that by their nature are uncertain. Any changes to the conditions on which the opinions, assumptions and estimates adopted are based, could impact significantly on subsequent results.

(i) Variable fees from customers

If the promised fee in the contract includes a variable amount, the Group estimates the amount for the fee, to which it will be entitled in exchange for the transfer of the promised goods or services to the customer.

To better estimate the amount of the variable fee, based on the specific circumstances the Group uses:
- the expected value, that is the sum of amounts weighted by their probability within a range of possible fee amounts;
- the most probable amount within a range of possible fee amounts (that is, the most probable result for the contract).

The estimated variable fee is recognised only to the extent that it is highly probable that when the uncertainty associated with the variable fee is resolved no significant downward adjustment will be made to the cumulative revenue amount recognised.

(ii) Recoverable value of non-current assets

Impairment is recognised to the value of a non-current asset when events or changes in circumstances lead to the assumption that the carrying amount is not recoverable. The events that could determine a loss in an asset's value are changes to business plans, regulatory changes, a high turnover of customers, changes in market prices, reduced usage of plants. The decision whether to proceed with an impairment and quantification thereof depends on Management's assessments made on complex and highly uncertain aspects, which include future pricing trends, the impact of inflation, the customer drop-out or defection rate (churn rate).
The impairment occurs when the asset or cash generating unit's carrying value exceeds its recoverable value, which is the higher between its fair value less sales costs and its use value. Fair value less sales costs is the amount obtained from the sale of an asset or cash generating unit in a free transaction between cognisant and available parties, less the disposal costs. In determining this fair value, Management may also use technical reports prepared by third parties, especially with regard to the industrial value of assets under concession.
The calculation for the use value is based on the discounted cash flow model. The cash flows deriving from the forecast plans that are based on accurate estimates and do not include restructuring activities to which the Group has not yet committed or significant future investments that will increase the value of the assets making up the cash generating unit subject to the assessment. The recoverable value depends significantly on the discount rate used in the discounted cash flow model, as well as the expected cash flows in the future and growth rate used for the extrapolation. The key assumptions used to determine the recoverable value for the different cash generating units, including a sensitivity analysis test, are detailed in the following notes Impairment test pursuant to IAS 36 on the goodwill value, impairment test pursuant to IAS 36 on the value of property, plant and equipment and Impairment test pursuant to IAS 36 on the value of property, plant and equipment in paragraph 14.

Possible changes in the underlying assumptions on which these calculations are based could produce different recoverable values. The analysis of each of the groups of non-financial assets is unique and requires the company management to use estimates and hypotheses considered prudent and reasonable in relation to the specific circumstances. In line with its business model, the Group also assessed whether the topics linked to climate change have impacted on the reasonable and sustainable hypotheses used to estimate the projections of the financial flows.

(iii) Business combinations

The recognition of business combination operations implies allocating the difference between the purchase cost and net carrying value to the assets and liabilities of the acquired business. For most assets and liabilities, the allocation of the difference is done by recording assets and liabilities at their fair value. If it is positive, the non-attributable portion is recognised in goodwill and if negative in the income statement. The allocation of the price paid on a provisional basis is subject to review/updating within the 12 months after the acquisition, with due regard for any new information on the facts and circumstances that existed at the acquisition date. In the allocation process, the Group bases itself on available information, and on external assessments for the more significant business combinations; the allocation process also requires an overall assessment to be made by Management, which is also made in relation to available information.

(iv) Amortisation/ depreciation

Amortisation/depreciation is calculated on the basis of the asset's estimated useful life, the residual concession term, the drop-out or defection rate (churn rate). Useful life is determined by Directors, with the help of technical experts at the time of recording the asset in the financial statements; the assessment regarding the useful life term is based on historic experience, market conditions, forecasts on future events that could impact on the useful life, including changes in technology. The Group periodically reviews changes in technology and the sector, the customer churn rate, the expenses for dismantling/closing, and the recovery value to update the residual useful life. This periodic update could involve a change to the amortisation/depreciation period, and therefore also the depreciation/amortisation rate for future periods.
With regard to the term for concessions relating to the distribution of natural gas, Italian Legislative Decree no. 164/00 (Letta Decree) stipulated that all concessions must be put out to tender within the expiry of the so-called "transitory period", and that the new concession term could not exceed twelve years. On the outgoing operator's expiry of the concessions, a set indemnity is paid based on industrial estimate criteria, against the transfer of the distribution networks. In so far as the estimates conducted by directors are concerned when determining the depreciation/amortisation criteria, the assets' net carrying value on expiry of the concession should not be higher than the residual industrial value (RIV).

(v) Defined benefit plans

The cost of defined benefit pension plans after employment and the current value of the defined benefit obligation are determined by using actuarial assessments. The actuarial assessment involves calculations using various assumptions that can differ from effective future developments. These assumptions include determining the discount rate, future salary increases, the mortality rates, and future pension increases. Due to the complexity of this assessment and its long-term nature, these estimates are especially sensitive to changes in the assumptions. All assumptions are reviewed on an annual basis.
The discount rate represents the parameter subject to the greatest variations. In determining the appropriate discount rate, directors use the corporate bond interest rate as a reference, in currencies consistent with the currencies for the defined benefit obligations, that are assigned a minimum AA rating by internationally recognised rating agencies and with average expiries corresponding to the expected term of the defined benefit obligation. Obligations are subject to an additional qualitative analysis and those that present a credit spread that is deemed excessive are eliminated from the obligations population on which the discount rate was calculated, because they do not represent a high-quality category of obligations.
The mortality rate is based on tables available for the specific mortality of each country. These mortality tables tend to vary only at intervals in relation to demographic changes. Future salary increases and pension increases are based on the expected inflation rate for each country. Additional information is provided in Note Employee severance indemnity.

(vi) Fair value of financial instruments

When the fair value of an asset or liability in the statements of financial position cannot be measured on the basis of listing on an active market, the fair value is determined by using different valuation techniques, including the discounted cash flow model. The inputs used in this model are taken from observable markets, where possible, but should this not be possible, a certain level of estimation is required to define fair values.

Estimates include considerations on variables such as liquidity risk and credit risk, if deemed relevant. Changes in the assumptions in these aspects could have an impact on the fair value of the financial instruments recorded.

Additionally, the Group has granted third parties the possibility to repurchase assets as a balancing entry as an alternative to Alia cash and cash equivalents or shares to be exercised within a pre-established time horizon.
The fair value of these options is the result of an assessment based on variables which serve as the basis for determining the fair value of the option itself and, in particular the future operating scenario deemed most probable by management, in line with updated planning assumptions, adopting the planned changes to the contract conditions between the parties and discounting, when applicable, the corresponding cash flows at a suitable discount rate.

(vii) Provisions for risks and write-downs

Identifying whether a current obligation exists or not (legal or implicit) is under some circumstances not easy to determine. Directors evaluate these on a case by case basis, while simultaneously estimating the amount of economic resources required to comply with the obligation. The estimate of provisions is the result of a complex process which requires subjective decisions by Group management. The Group is also involved in legal and tax cases involving complex and difficult legal issues which are subject to a different level of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and various applicable laws. Given the uncertainties inherent to these aspects, it is difficult to predict with uncertainty the outlay that would derive from these disputes and it is consequently possible that the value of the provisions for legal proceedings and disputes may vary in line with future developments in the proceedings in progress. The Group monitors the status of proceedings in progress and consults with its attorneys and legal and tax experts. When directors hold that a liability is only possible, the risks are indicated in the relevant section on commitments and risks, without giving rise to any provision.
With reference to the waste collection and management sector, the provision for landfills represents the amount allocated to handle costs that must be incurred to manage the closure and post-closure period of landfills currently managed. The estimate takes into account the best available forecast for future outlays as of the reporting date, derived for each landfill from a specific appraisal performed annually by external experts and includes the trend in discount rates utilised in compliance with IAS 37.

The provision for write-downs reflects management's estimate of expected losses associated with the portfolio of receivables. The Group applies the IFRS 9 simplified approach and records expected losses for all trade receivables based on the residual duration, defining the provision based on historic credit loss experience, adjusted to take specific forecast factors into account with reference to creditors and the economic situation (expected credit loss (ECL) concept).
The recoverability of receivables recorded for the sale of electricity and gas, together with the need to record any write-downs in these, are the result of an assessment process by Company Management, involving complex and/or subjective opinions. The calculation is based on analyses by customer cluster, supplemented by specific analytical assessments, using a matrix for measuring the expected losses (provision matrix). The impairment percentages are determined on the basis of historical analyses conducted referring to losses on amounts payable by customers, in relation to the age of the receivable, the creditworthiness of the counterparty where available, average collection times and the status of the receivable (active, discontinued) and the historic trend of the uniform individual class taking into consideration and current information that could affect the expectations and estimates of loss on receivables. Receivable positions of the most significant amounts are analysed and, if appropriate, specifically written down.

With reference to receivables for TARIC revenue, in the absence of historic data, the estimate of the recoverability of the amount of receivables recognised was the result of a measurement exercise carried out by management based on statistical data provided by third-party suppliers. As 2023 was the first financial year of integrated urban waste management with the TARIC fee in some of the municipalities served, the writedown percentages were determined using historical analysis of the insolvency rate seen from 2019-2020 with reference to a significant sample of TARIC customers nationally, broken down into domestic and business customers, and applied to receivables for invoices issued and to be issued as at the reporting date.

(viii) Recognition of revenues for sales of electricity and gas

Revenue from the sale of electricity and gas to business, retail and domestic customers is recognised and stated at the time of providing the supply, recorded according to a predetermined calendar for consumption readings, and include the estimate for the supply of gas and electricity provided to end customers and not yet invoiced at 31 December. This estimate is obtained as the difference between consumption (effective or estimated based on the customers' historic consumption and other factors that could influence consumption, such as weather conditions) already invoiced by the end of the financial period and the total quantity released into the distribution network, determined by taking as a reference the volumes allocated by the national distributor and the internal customer consumption forecasts; the estimate is recorded in specific provisions for invoices to be issued. The volumes distributed and allocated are communicated by distributors and transporters, both nationally and locally, and are subject to potential revisions in subsequent years as provided for in the relevant regulations. The amount of gas and electricity volumes released into the network and not yet invoiced, obtained in this way, is measured according to the type of customer, based on the proportion of the respective volumes already invoiced during the period and on the related average tariff in force during the period.
The provision for revenue from invoices to be issued for the sale of gas and electricity to final customers is therefore the outcome of a complex estimate based both on distributed and allocated volumes, subject to adjustments, as well as internal consumption forecasts, and is influenced by the professional judgement of Company Management. Please see note Trade receivables for further information.

(ix) Estimates on Lease agreements as lessee

Starting from 1 January 2019, following application of IFRS16, the following significant accounting estimates were made, as a Group in its capacity as lessee:

- Lease term: the identification of the term of the rental contract is a very significant issue which entails the use of assumptions in particular for the assessment of the effects of renewal options at the end of the non-cancellable period. For the definition of the term of the lease the Group, in fact, considered the presence of renewal and cancellation options held respectively by the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties it considered the existence or non-existence of significant economic disincentives in rejecting the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable by only one of the two parties it considered paragraph B35 of IFRS 16.
  With reference to the company offices, the application of the above, taking into account the specific facts and circumstances and the estimate on the exercise of the option being reasonably certain, entailed that a term up to the third renewal provided for in the contract was considered. This was based on the fact of not being able to consider reasonably certain the renewal beyond the third period or, at least, at the same conditions.

- After the starting date of the contract, the Group reviews the term of the same if there occurs a significant event or a significant change in the circumstances which, depending on the Group's intentions, has an effect on the lessee's reasonable certainty of exercising an option not previously included in its determination of the term of the lease or of not exercising an option previously included in its determination of the term of the lease. In June 2019, the IFRS Interpretation Committee began to discuss the topic of the lease term (project: Lease Term and Useful Life of Leasehold Improvements). In November 2019, a decision was published which clarifies how the concepts of non-cancellable period, lease term (considered for the purposes of recognition of the liability) and enforceable period (useful for identifying the moment in which the contract no longer generates enforceable rights and obligations) should be read and correlated together for the purposes of applying IFRS 16. The decision clarified that for the purposes of identifying the enforceable period a lessee must consider the contractual moment in which both parties involved can exercise their right to terminate the contract without incurring more than an insignificant penalty. The concept of penalty must not have a merely contractual meaning but should be seen considering all the economic aspects of the contract. Once the enforceable period has been identified, the lessor assesses in the presence of renewal or cancellability options for what period it is reasonably certain to control the right of use of the asset and therefore determines the lease term. At the date of preparation of these consolidated financial statements, the Group considered these discussions and conclusions and will continue to monitor the evolution over time.

- Definition of the discount rate: as in most rental contracts entered into by the Group, there is no implicit interest rate, the Group calculated an Incremental Borrowing Rate (IBR) that is the interest rate that the Company will have to pay to obtain a loan, with a similar term and guarantees, necessary to obtain an asset of a value similar to the asset consisting of the right of use in a similar economic context.

  The discount rate used to measure the value of the liabilities related to leasing contracts was calculated taking into consideration the country risk, the currency, the lease term, and the Group's credit risk.

(x) Current taxes and future recovery of deferred tax assets

Recognition of deferred tax assets is done based on expected taxable income in future years, on the basis of multi-year corporate plans. Measurement of expected income for the purposes of recognising deferred tax assets depends on factors which may vary over time and have impacts on the measurement of deferred tax assets.

Macroeconomic and geopolitical uncertainty

The Alia Group is closely monitoring the current macroeconomic scenario and the recent events of international politics, paying particular attention to the evolution of the geopolitical scenarios and the legislation of reference. The international geopolitical tensions caused by Russia's invasion of Ukraine, as well as the varying sanctions imposed against Russia and Russian citizens, increase systemic risks. The risks of continuation of the conflict, the risk of expansion of military operations and the geopolitical crisis, in addition to the impacts of the economic sanctions imposed by the international community on Russia could impact on global production, the supply chain, and the confidence of consumers, businesses and investors with consequent delays or interruptions in spending and investment decisions. The onset of such events could trigger a slowdown in the macroeconomic cycle, a stagnation or, in the worst case, a global recession.

Despite the presence of a highly volatile macroeconomic scenario and slowed economic growth, characterised by very high inflation at global level, restrictive monetary policies by the Central Banks and high benchmark rates, in addition to a critical geopolitical situation following the ongoing conflict, the Group continues to focus on realising its industrial strategies and, to date, has not noticed significant impacts on its performance or on the assumptions and estimates for measuring assets and liabilities, nor elements requiring an in-depth analysis of the validity of the assumption of going concern.

Also note that Alia and its subsidiaries do not have offices or relevant business in the regions affected by the conflict.

Climate change

Awareness of climate change and its effects determines an increased need for information in the management report. Though there is no international accounting standard that governs how the impacts of climate change should be considered when preparing the financial statements, the IASB has issued several documents to support IFRS adopters in satisfying this request for information from interested parties. Equally, the ESMA, in its European Common Enforcement Priorities of 28 October 2022, highlighted that issuers, when preparing financial statements drafted according to international accounting standards, should consider climate risks to the extent they are relevant, regardless of whether or not said risks are explicitly envisaged by the accounting standards of reference.

Alia has achieved a significant level of maturity in the completion of the process to define the integrated risk management model, which is based on internationally recognised standards in Enterprise Risk Management (ERM), which involves, within each respective area of remit, the company organisation and the governance bodies. The company's process of risk assessment and identification also includes aspects linked to sustainability topics. The Group monitors the continuous evolution of the national and international regulatory framework, and the possible introduction of additional legislation linked to the reduction of the environmental impacts of the business, overseeing the risks linked to climate change in order to reduce the repercussions on its activities.

For the Alia Group, climate change is mainly an economic risk, given its possible repercussions on the Group's characteristic activities:

- increased operating costs (e.g. insurance costs);

- gradual reduction in demand for gas for domestic heating (NIECP 2019) with consequent reduction in the business margins;
- electrification process of consumption and use of renewable resources in replacement of fossil fuels in the long term (carbon neutrality target by 2050) (NIECP 2019);
- increased frequency in extreme intensity natural events in the places where the Group operates, which could result in infrastructure becoming unavailable for extended time frames, with possible service interruptions.

Note that the Alia Group mainly describes its considerations of actions attributable to mitigating the effects of climate change in the paragraph "Risks related to climate change" in the Management Report.

8. BUSINESS SEGMENTS

For management purposes, the Group is organised into strategic business units (SBUs), based on the products and services provided, and qualifying as business segments in terms of IFRS 8, as detailed below:

(i) Environment
The activities of these SBUs includes the collection, processing and management of waste in the areas of the Municipalities governed by the service contract underlying the Toscana Centro Authority, as well as the supply of services on the free market. The business segment also includes the portion of jointly controlled companies pertaining to the Group which operate in the waste management and processing sector, measured with the equity method.

(ii) Regulated Market
The SBU's activity includes the technical and operational management of the natural gas distribution network.

(iii) Natural gas and electricity sales
The SBU's activity is represented by the sale of methane gas and electricity on the wholesale and retail markets. Sales area support is provided by the gas and electricity procurement, dispatching, storage and logistics activities.

(iv) Other segment
The "Other sectors" SBU includes:

- the technical and operational management of telecommunications networks and their marketing (this also includes activities related to video surveillance services, data transmission, telephony and internet access);
- the provision and exploitation of plants producing energy from renewable sources with particular reference to solar, wind and biomass sources;
- the management of heating systems owned by third parties (heat management services) and facility management;
- the marketing of liquid propane gas;
- the activity of waste selection, treatment and storage;
- the portion of jointly controlled companies pertaining to the Group which operate in other sectors, including Publiacqua S.p.A., which offers water and sewer management services.

The other sectors have different economic characteristics, organisational criteria and performance, but do not exceed the quantitative thresholds such as to make separate disclosure necessary.

The Group operates entirely in Italy.

Directors separately assess the results achieved by business segments so as to make decisions regarding the allocation of resources and monitor performance. Sector performance is measured on the basis of results, which are assessed consistently with the result in the consolidated financial statements.
Costs and revenues relative to centralised coordination and management of company areas provided by the sub-holding Estra S.p.A. to its direct subsidiaries ("Corporate") have been reclassified to the sectors "Regulated Market", "Gas sales" and "Other sectors" based on the absorption percentages of the services provided by the parent company.
The Group's financial management (including costs and expenses on funding) and income taxes are managed at Group level, and are not allocated to operating sectors.
The transfer price between business segments is negotiated internally on the same basis as transactions with third parties.
Directors separately monitor only the activities of the operating sector, whereas liabilities are monitored at Group level.

A comparative analysis of the economic data per business segment is provided below for the 2023 and 2022 financial periods:

Economic values per segment

Business segments	Environment		Gas and electricity sales		Regulated Market		Other services		Adjustments and eliminations		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
(amounts in thousands of euros)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total Revenue	**539,549**	**507,536**	**456,656**	**0**	**78,364**	**0**	**69,319**	**0**	**-35,511**	**0**	**1,108,377**	**507,536**
External costs	-358,405	-320,857	-404,633	0	-45,899	0	-46,912	0	35,215	0	-820,633	-320,857
Personnel costs	-129,518	-121,265	-8,511	0	-11,555	0	-3,703	0	296	0	-152,992	-121,265
Income from non-financial equity investments	182	929	0	0	0	0	10,646	0	0	0	10,828	929
Gross operating margin (EBITDA)	**51,808**	**66,343**	**43,512**	**0**	**20,910**	**0**	**29,350**	**0**	**0**	**0**	**145,581**	**66,343**
Depreciation, amortisation, provisions and write-downs	-33,709	-30,473	-18,227	0	-14,979	0	-7,289	0	0	0	-74,203	-30,473
Write-downs of receivables	-5,173	-1,038	-3,868	0	-117	0	-1,958	0	0	0	-11,116	-1,038
Operating Income (EBIT)	**12,926**	**34,833**	**21,417**	**0**	**5,814**	**0**	**20,104**	**0**	**0**	**0**	**60,262**	**34,833**

Asset values per segment

Business segments	Environment		Gas and electricity sales		Regulated Market		Other services		Corporate		Adjustments and eliminations		Total	
Sector activities	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
(amounts in thousands of euros)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Non-current assets	555,106	594,882	318,108	0	746,203	0	116,422	0	270,010	0	-1,965	0	2,003,885	594,882
Current assets	241,162	189,791	360,323	0	77,464	0	139,004	0	185,327	0	-47,833	0	955,447	189,791
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**796,268**	**784,673**	**678,431**	**0**	**823,667**	**0**	**255,426**	**0**	**455,337**	**0**	**-49,798**	**0**	**2,959,332**	**784,673**

Reconciliation of result

(amounts in thousands of euros)	Year ended 31 December	
	2023	2022
Result for sectors (net of adjustments and eliminations)	**60,261**	**34,833**
Writedowns (and reinstatements) of financial assets	34	26
Stake in profit (loss) of joint ventures and associated companies	18,097	244
Financial income	10,320	2,105
Financial expenses	35,581	7,007
FINANCIAL MANAGEMENT	**(7,198)**	**(4,683)**
PROFIT BEFORE TAXES	**53,063**	**30,150**
Income taxes for the year	7,004	7,719
NET PROFIT/(LOSS) FOR THE YEAR	**46,059**	**22,431**

9. CAPITAL MANAGEMENT

For the purposes of Group capital management, this includes share capital issued, the share premium reserve, all other capital reserves attributable to the Parent Company's shareholders and the third party shareholders' equity. The main objective in capital management is to maximise value for shareholders. The Group manages the asset structure based on economic conditions and the requirements of financial covenants.

The Group controls the asset structure using a gearing ratio, referring to the ratio between net financial debt and consolidated shareholders' equity. The Group's policy requires that this ratio remains below 1.2. The Group includes under net financial debt, cash and cash equivalents, receivables and payables to credit institutions, payables to bondholders, leasing companies and shareholder loans, excluding discontinued operations.

	(amounts in euros)	Year ended 31 December	
		2023	2022
	Cash and cash equivalents(1)	-198,203,480	-26,108,803
	Current financial receivables (2)	-5,696,822	0
	Current financial debt (3)	427,910,024	28,625,010
	Net current financial debt	**224,009,721**	**2,516,207**
	Non-current financial debt (4)	624,617,300	168,450,535
D	**Total financial debt**	**848,627,021**	**170,966,742**
E	**Shareholders' equity**	**1,238,197,846**	**387,114,015**
D/E	*Leverage*	**0.69**	**0.44**

(1)Equal to the item Cash and cash equivalents; (2) Equal to the item Other current financial assets; (3) Equal to the sum of the items Current portion of medium/long-term loans, Short-term borrowings and Other current financial liabilities; (4) Equal to the item Non-current portion of medium/long-term loans

In order to achieve this objective, the Group's capital management aims, *inter alia*, to ensure that covenants associated with interest-bearing loans and bond loans are respected, as these define the asset structure requirements. Violations of covenants would entitle banks/lenders to ask for the immediate repayment of loans and funding.
Based on the information in the financial statements at 31 December 2023, there were no violations of covenants associated with funding and loans during the current period.

Please see paragraph Liquidity Risk for additional information.

10. GROUP INFORMATION

10.1 Consolidation scope

The table below shows the consolidation scope at 31 December 2023 compared with the consolidation scope at 31 December 2022:

			31/12/2023				31/12/2022			
Company name	**Registered office**	**Primary activity**	**Portion attributable to the Group**	**Share of direct control**	**Share of indirect control**	**Notes**	**Group portion**	**Share of direct control**	**Share of indirect control**	**Notes**
Parent company										
ALIA Sevizi Ambientali SpA	Florence (FI)	Urban waste collection and processing								
Fully consolidated subsidiaries										
Revet Spa	Pontedera (PI)	VPL collection, selection and transformation	**57.70%**	57.70%			**55.50%**	55.50%		

			31/12/2023				31/12/2022			
Company name	**Registered office**	**Primary activity**	**Portion attributable to the Group**	**Share of direct control**	**Share of indirect control**	**Notes**	**Group portion**	**Share of direct control**	**Share of indirect control**	**Notes**
Programma Ambiente Apuane Spa	Prato (PO)	Urban waste management	**80.00%**	80.00%			**80.00%**	80.00%		
Bisenzio Ambiente S.R.L.	Campi Bisenzio(FI)	Waste management	**54.63%**	25.00%	29.60%	(1)				
Ambiente Energia Risorse Spa	Rufina (FI)	Urban waste collection and processing	**90.02%**	90.02%						
Ambiente Toscana Opco Spa	Florence (FI)	Not operational	**100.00%**	100.00%			**83.33%**	83.33%		
E.S.TR.A. S.p.A.	Prato (PO)	Holding	**39.50%**	39.50%						
ESTRACOM S.p.A.	Prato (PO)	Telecommunications	**31.34%**		31.30%	(1)				
Idrogenera S.r.l.	Prato (PO)	Renewable energies	**20.15%**		20.10%	(1)				
Tegolaia SPV S.p.A.	Fano (PU)	Renewable energies	**39.50%**		39.50%	(1)				
Cavriglia SPV S.P.A.	Prato (PO)	Renewable energies	**39.50%**		39.50%	(1)				
Estra Clima S.r.l.	Prato (PO)	Heat management	**39.50%**		39.50%	(1)				
Ecocentro Toscana S.r.l.	Lallio (BG)	Waste management	**39.50%**		39.50%	(1)				
Ecos S.r.l.	Barberino Tavarnelle (FI)	Waste management	**39.50%**		39.50%	(1)				
Ecolat S.r.l.	Grosseto (GR)	Waste management	**39.50%**		39.50%	(1)				
E.S.TR.A. Energie S.r.l.	Siena (SI)	Gas sales	**39.50%**		39.50%	(1)				
Centria S.r.l.	Arezzo (AR)	Gas distribution	**39.40%**		39.40%	(1)				
Gas Marca S.r.l.	Civitanova Marche (MC)	Gas sales	**39.50%**		39.50%	(2)				
Piceno Gas S.r.l.	Ascoli Piceno (AP)	Gas sales	**39.50%**		39.50%	(2)				
Prometeo S.p.A.	Osimo (AN)	Gas and electricity sales	**25.17%**		25.20%	(2)				
Murgia Reti Gas S.r.l.	Arezzo (AR)	Gas distribution	**39.40%**		39.40%	(3)				
Gergas S.p.A.	Grosseto (GR)	Gas distribution	**33.69%**		33.70%	(3)				
EDMA Reti Gas S.r.l.	Ancona (AN)	Gas distribution	**17.73%**		17.70%	(3)				
Equity consolidated joint ventures										
AL.BE S.r.l.	Peccioli (PI)	Waste recovery and processing. Biogas production system management	**50.00%**	50.00%			**50.00%**	50.00%		
REAL S.r.l.	Empoli (FI)	Pulp paper collection, processing, selection, transformation and storage	**50.10%**	50.10%			**50.10%**	50.10%		
Nuova Sirio S.r.l.	Siena (SI)	Renewable energies	**19.75%**		19.75%	(1)				
Publiacqua Spa	Florence (FI)	Integrated water and sewer service management	**57.55%**	57.55%			**3.95%**	3.95%		
Equity-consolidated associates										
Irmel Srl	Ponte Buggianese (PT)	Inert waste treatment plant management	**36.00%**	36.00%			**36.00%**	36.00%		
Sea Risorse Spa	Viareggio (LU)	Urban waste collection and processing	**24.00%**	24.00%			**24.00%**	24.00%		
Toscana Energia Spa	Florence (FI)	Gas distribution	**30.99%**	30.99%			**20.61%**	20.61%		
Acque Spa	Empoli (FI)	Integrated water and sewer service management	**19.31%**	19.31%						
Acque2o Spa	Pontedera (PI)	Holding company, Integrated Water Service sector	**37.94%**	37.94%						
Valdisieve Scrl	Florence (FI)	Holding	**25.00%**	25.00%			**25.00%**	25.00%		
Blugas Infrastrutture S.r.l.	Cremona (CR)	Gas storage	**12.31%**		12.31%	(1)				
SIG S.p.A.	Ancona (AN)	Gas distribution	**15.64%**		15.64%	(1)				
A.E.S. Fano Distribuzione Gas S.r.l.	Fano (PU)	Gas distribution	**19.36%**		19.36%	(1)				
Servizi Ecologici Integrati Toscana Srl	Siena (SI)	Waste management	**8.15%**		8.15%	(4)				

			31/12/2023				31/12/2022			
Company name	Registered office	Primary activity	Portion attributable to the Group	Share of direct control	Share of indirect control	Notes	Group portion	Share of direct control	Share of indirect control	Notes
Vetro Revet Srl	Empoli (FI)	Glass collection, recovery, processing and sales	28.27%		28.27%	(5)	27.20%		27.20%	(5)

Notes
(1) through E.S.TR.A. S.p.A.
(2) through Estra Energie Srl
(3) through Centria
(4) through Ecolat S.r.l.
(5) through Revet SpA

Note that:
- Based on the provisions of the Articles of Association and the shareholders' agreement signed by Estra SpA and Viva Servizi SpA, which granted Estra SpA a majority of the members of the Board of Directors for Edma Reti Gas and the possibility, based on defined resolution-making quorums, to exercise substantial decision-making powers on its financial, management and strategic policies, although Estra only holds a 45% stake through Centria, the company is consolidated on a line by line basis;
- Among companies classified as associated and measured with the equity method, is Acque S.p.A., in line with the provisions of the Articles of Association and shareholders' agreements which give Alia, which holds a 19.31% stake, significant influence as it can appoint at least one member of the Board of Directors.

The following changes occurred during the period in the consolidation scope:

Fully consolidated subsidiaries
- The inclusion of Estra S.p.A. within companies consolidated on a line by line basis, with a 39.504% stake, and its direct subsidiaries, as described in the section "Acquisition of control over Estra S.p.A.";
- Increase in the controlling interest held in Ambiente Toscana OP.CO. S.p.A. (formerly Valcofert S.p.A.) following the share capital increase by the parent company, going from 83.33% at 31 December 2022 to 100% at 31 December 2023;
- increase in the controlling stake in Revet Spa, going from 55.50% at 31/12/22 to 57.697% at 31/12/2023 following the parent company's acquisition of a 2.197% stake from Siena Ambiente;
- the insertion of AER - Ambiente Energia Risorse SpA under companies consolidated on a line by line basis, with a 90.02% equity investment following the transfer increasing share capital by the parent company through the Shareholder Municipalities, as described in the section "Acquisition of control AER Ambiente Energia Risorse SpA".

Associated and jointly controlled companies measured with the equity method
- The addition of companies associated or jointly controlled by Estra SpA measured using the equity method;
- Specifically: Publiacqua SpA, Toscana Energie SpA, Acque Spa, Acque2o Spa and Servizi Ecologici Integrati Toscana Srl following the merger by incorporation in the parent company of Consiag SpA, Publiservizi SpA and Acque Toscane SpA., as described in the relative section.

11. BUSINESS COMBINATIONS AND DISPOSALS OF ASSETS, ACQUISITION AND DISPOSAL OF MINORITY INTERESTS

11.1 Merger by incorporation of Consiag SpA, Publiservizi SpA, Acque Toscane SpA.

On 26 January 2023, the deed for the merger by incorporation of Publiservizi SpA, Acqua Toscana SpA and Consiag SpA (hereafter, also the "merged companies") in Alia Servizi Ambientali SpA was signed, effective as from 1 February 2023.

Below is a brief description of the merged companies:

- Publiservizi S.p.A. is a joint stock company established under Italian law, with registered office in Via Garigliano 1, 50053, Empoli (FI), registered with the Florence Business Register, tax ID no. 91002470481, share capital resolved, paid in and subscribed of € 31,621,353.72, divided in 6,116,316 shares with a nominal value of € 5.17 each.

  The purpose of the company, among other things, is the study, research, consulting and technical and financial assistance for public entities and investees in the public services sector, as well as the supply of administrative, technical and sales services for public entities and investees, and financial coordination for investees.

- Acqua Toscana S.p.A. is a joint stock company established under Italian law, with registered office in Piazza Leon Battista Alberti 1/A, 50136, Villa Arrivabene, Florence (FI), registered with the Florence Business Register, tax ID no. 07107290483, share capital resolved, paid in and subscribed of € 150,000,000.00, divided in 150,000,000 shares with a nominal value of € 1.00 each.

  The purpose of the company, among other things, was, exclusively for shareholders, the assumption and management of equity investments in companies and/or entities which were established or to be established, and coordination of the same.

- Consiag S.p.A. is a joint stock company established under Italian law, with registered office in Via Ugo Panziera 16, Stradario 03495, 59100, Prato (PO), registered with the Pistoia-Prato Business Register, tax ID no. 00923210488, share capital resolved, paid in and subscribed of € 143,581,967.00, divided in 143,581,967 shares with a nominal value of € 1.00 each.

  The purpose of the company is, among other things, the direct and indirect management, including by way of investees, of activities pertaining to the gas, telecommunications, energy, water, IT and public services.

  In the context of the merger, all of Alia's share were converted to ordinary shares.

  The administrative bodies of the companies involved in the merger agreed on the following exchange rates for the shares of the merged companies with respect to shares of the incorporating company, as below:

  (a) Acqua Toscana: no. 0.39 ordinary Alia shares for each Acqua Toscana share;
  (b) Consiag: no. 0.96 ordinary Alia shares for each Consiag share;
  (c) Publiservizi: no. 9.20 ordinary Alia shares for each Publiservizi share.

  As a consequence of the merger, the incorporating company Alia Servizi Ambientali SpA carried out a share capital increase of € 225,848,513.00 and, as a consequence of the subsequent annulment of the Alia shares directly held by Publiservizi, Acqua Toscane and Consiag equal to € 19,942,994.00, share capital was increased by € 153,413,910.00 to € 359,319,429, with the exclusion of the option right pursuant to article 2441 of the Civil Code.

The transaction was part of the reorganisation of public services management, through aggregation intended to achieve a united industrial and corporate project, with the main objective of sharing strategic growth guidelines and obtaining sales, industrial and operating synergies in the waste management, energy and water sectors.

The following table shows the contributions made by the companies merged by incorporation into Alia following the completion of the merger and the corresponding capital increase amounts, including share premium:

Statement of Financial Position	Consiag	Acqua Toscana	Publiservizi	Total
Property, plant and equipment	27,801,843		597,242	28,399,085
Intangible assets	11,719		1,149	12,867
Equity investments	243,027,420	177,587,800	127,436,192	548,051,412
Other non-current financial assets	13,028,312			13,028,312

Deferred tax assets	4,524,913		504,132	5,029,045
NON-CURRENT ASSETS	**288,394,206**	**177,587,800**	**128,538,715**	**594,520,721**
Trade receivables	1,384,009		55,874	1,439,884
Current tax assets	100,607	2	114,191	214,800
Other current assets	138,035	10,373	1,843,983	1,992,391
Other current financial assets	4,037,297			4,037,297
Cash and cash equivalents	29,730,297	8,461,908	6,919,244	45,111,448
CURRENT ASSETS	**35,390,246**	**8,472,283**	**8,933,291**	**52,795,820**
TOTAL ASSETS	**323,784,452**	**186,060,083**	**137,472,006**	**647,316,541**
Provisions for risks and charges	45,000		7,054,047	7,099,047
Employee severance indemnity	31,364			31,364
NON-CURRENT LIABILITIES	**76,364**		**7,054,047**	**7,130,411**
Short-term borrowings	114	39		153
Trade payables	2,387,537	263,511	358,444	3,009,492
Current tax liabilities	18,267	1,828		20,095
Other current liabilities	681,503		500,612	1,182,115
CURRENT LIABILITIES	**3,087,421**	**265,378**	**859,056**	**4,211,855**
TOTAL LIABILITIES	**3,163,785**	**265,378**	**7,913,103**	**11,342,266**
TOTAL NET IDENTIFIABLE ASSETS	**320,620,667**	**185,794,705**	**129,558,903**	**635,974,275**
Share capital	129,476,601	30,855,779	45,573,139	205,905,519
Share premium reserve	191,144,066	154,938,926	83,985,764	430,068,756
INCREASE INCLUDING SHARE PREMIUM	**320,620,667**	**185,794,705**	**129,558,903**	**635,974,275**

The merger by incorporation of Publiservizi, Acqua Toscana and Consiag is not classified as a business combination given that the net assets acquired by the Company shown in the table above, which mainly include non-controlling equity investments, does not represent a business with respect to IFRS 3.

The transaction was recognised as an acquisition of assets, measuring at fair value, without the identification of goodwill, the identifiable assets and liabilities acquired, which when appropriate were also measured on the basis of specific appraisals.

The main identifiable assets and liabilities acquired following the merger by incorporation of Consiag are:

- property located in the Municipality of Prato (Via Panziera), leased to the subsidiary Estra Spa, with a value of € 9,820,145, as well as the land surrounding the property with a value of € 2,684,000.00;
- property located in the Municipality of Prato (Via Grignano), with a value of € 5,721,038, as well as the land surrounding the property with a value of € 1,575,200;
- the former Banci real estate complex in the Municipality of Prato, with a value of € 6,500,000;
- the property located in the Municipality of Sesto Fiorentino (company headquarters in via Savonarola), with a value of € 379,571;
- the 39.50% equity investment in Estra SpA, the holding company for a group mainly operating in natural gas and electricity sales at the national level as well as natural gas distribution mainly in central Italy, with a value of € 239,394,240;
- the 25% equity investment in Bisenzio Ambiente S.r.l. (with Estra SpA holding a 75% controlling stake), which processes liquid waste, with a value of € 2,332,170;
- the 8% equity investment in G.I.D.A. S.p.A. which works in the discharge water and liquid waste sector, with a value of € 1,097,562;
- other financial assets represented by equity management and insurance products for € 13,478,386;
- deferred tax assets for previous losses of € 2,145,064, having verified the ability to transfer and recover them for the merged company;
- cash and cash equivalents for € 29,730,297,
- net trade payables for € 1,003,528.

The main identifiable assets and liabilities acquired following the merger by incorporation of Acqua Toscana are:
- the 53.17% equity investment in Publiacqua SpA, which as from 1 January 2002 was awarded the contract to manage the integrated water service in the Optimal Territorial Area (OTA) no. 3 Medio Valdarno, which serves four provinces (Florence, Prato, Pistoia and Arezzo), with a value of € 177,587,800;
- cash and cash equivalents for € 8,461,908.

The main identifiable assets and liabilities acquired following the merger by incorporation of Publiservizi are:

- the 10.38% equity investment in Toscana Energia SpA, which works in the gas distribution sector in Tuscany, with a value of € 84,078,000, plus the percentage stake held by the Alia Group of 20.61% already held at 31 December 2022, bringing it to 30.99% at 31 December 2023;
- the 19.31% equity investment in Acque SpA, which as from 1 January 2002 was awarded the contract to manage the integrated water service in the Optimal Territorial Area (OTA) no. 2 Basso Valdarno, with a value of € 41,902,700;
- the 0.43% equity investment in Publiacqua SpA, with a value of € 1,436,200;
- cash and cash equivalents for € 6,919,244;
- provisions for risks and charges of € 7,054,047, mainly relative to the dispute associated with the Revenue Agency to recover government subsidies for tax years 1995 through 1998.

With reference to the equity investments transferred to Acque and Toscana Energie, an equivalent negative equity reserve was recognised with a corresponding payable as a consequence of the purchase option granted to Publiservizi shareholders. For more information, please see the notes under the item Equity Investments.

The equity investments in Acque Spa, Toscana Energie SpA and Publiacqua SpA are measured in these consolidated financial statements using the equity method. Based on this method, the percentage of profit (loss) for the investee is adjusted to take into account any fair value adjustments made to the company's assets or liabilities at the time of acquisition.

With reference to Estra S.p.A., please see the following section.

11.2 Acquisition of a controlling interest in Estra SpA

As described above, following the merger by incorporation of Consiag S.p.A., Alia Servizi Ambientali S.p.A. acquired ownership of 90,200,000 shares or 39.50% of the share capital of Estra S.p.A. (hereafter, also "Estra") as well as all the existing assets, liabilities and relations.

Through a shareholders' agreement drawn up on 15 June 2023 between Alia and Coingas S.p.A., the holder of 57,400,000 shares, equal to 25.14% of the share capital of Estra, the two shareholders, holders of 64.64% in total of the capital, governed, through a coordinated exercise of the voting right, the composition of the Board of Directors and the roles attributed to the parties respectively and other provisions related, in the broad sense, to the governance of Estra, for which Alia is assigned the responsibility of corporate management and the possibility to exercise substantial decision-making powers over the financial, managerial and strategic policies of the subsidiary.

The contents of the agreement, jointly with the by-laws, determine that:

- Estra is subject to the dominant influence of Alia and therefore in control pursuant to Art. 2359, no. 2) of the Italian Civil Code;
- Alia exercises management and coordination of Estra.

Holding that the requirements under IFRS 10 are met, in consideration of the valid rights which allow Alia the ability to direct Estra's relevant business and have a significant impact on its returns, the company was consequently consolidated on a line-by-line basis starting from the second half of 2023.

The subsidiary was measured at equity until 30/06/2023, determining a revaluation of € 3,342,282.16 for the relevant portion of profits for the first half of 2023.

The fair value of identifiable assets and liabilities at the acquisition date was as follows:

Consolidated statement of financial position (in € thousands)	**Fair value**
Property, plant and equipment	115,788
Intangible assets	216,990
Assets under concession	419,227
Equity investments	22,901
Other non-current financial assets	10,874
Other non-current assets	10,952
Deferred tax assets	71,211
NON-CURRENT ASSETS	**867,943**
Inventories	17,228

Consolidated statement of financial position (in € thousands)	**Fair value**
Trade receivables	213,224
Current tax assets	1,158
Other current assets	170,776
Other current financial assets	7,412
Cash and cash equivalents	305,147
CURRENT ASSETS	**714,944**
TOTAL ASSETS	**1,582,887**
Provisions for risks and charges	10,490
Employee severance indemnity	7,761
Non-current portion of medium/long-term loans	545,489
Deferred tax liabilities	62,895
Other non-current liabilities	1,873
Contractual liabilities	26,313
NON-CURRENT LIABILITIES	**654,821**
Current portion of medium/long-term loans	141,322
Short-term borrowings	4,307
Trade payables	200,412
Contractual liabilities	866
Current tax liabilities	4,014
Other current liabilities	98,145
Other current financial liabilities	2,944
CURRENT LIABILITIES	**452,010**
TOTAL NET IDENTIFIABLE ASSETS	**476,057**
Minority interests in net identifiable assets	305,051
Goodwill	67,373
ACQUISITION PRICE	**238,379**

The acquisition price corresponds to the fair value of the 39.50% equity investment in the share capital of Estra, recognised at the time of the merger by incorporation of Consiag in Alia, based on the specific appraisal and adjusted, in application of the equity method, by dividends received and the relevant portion of the profits as of the date control was acquired.

Based on purchase price allocation analysis, the following was identified:

- an intangible asset relative to customer lists for € 91,346 thousand, before deferred tax liabilities of € 26,326 thousand. The fair value measurement of the customer lists was based on the discounting of the incremental expected cash flows of the activities (multi-period excess earning method or MEEM), taking into consideration the historical customer churn rate. The customer list is amortised over a 13-year amortisation period, corresponding to its expected useful life, based on the historical customer losses recorded (so-called "Churn Rate");

- higher value with respect to the carrying amount of assets under concession for the gas distribution service recognised in line with IFRIC 12 for € 32,175 thousand, before deferred taxes for € 9,369 thousand. Measurement of the fair values of assets under concession is based on discounting expected cash flows on the basis of the forecasts for the "regulated market" SBU in the most recently approved business date as of the acquisition date.

Goodwill for € 67,374 thousand, represented by the surplus on the consideration paid in relation to the net identifiable assets acquired and the liabilities undertaken by the Group, refers to the higher business value given by the Estra Group's territorial positioning, its ability to acquire new customers and develop new business and the possibility of creating synergies, which not being separate, do not meet the requirements to be recorded as intangible assets in terms of IAS 38.

Goodwill was allocated mainly to the gas and electricity sales CGU, as noted in the notes on Goodwill, and is not expected to be deductible for tax purposes.

The accounting for the operation in these consolidated financial statements was determined provisionally, owing to the temporary nature of the values assignable to the assets and liabilities of the company acquired and will be made definitive and possibly adjusted within the term of twelve months from the acquisition date, as provided for in IFRS 3 B67.

From the acquisition date, the Estra Group has contributed € 570,653 thousand to the Group's 2023 revenues, € 83,126 thousand to the gross operating margin (EBITDA), € 36,688 thousand to operating profit and € 10,940 thousand to net profit.

If the combination had been effective from the beginning of the year, the income statement in the consolidated financial statements at 31 December 2023 would have presented higher revenue for € 651,563 thousand, higher gross operating margin (EBITDA) for € 66,121 thousand, higher operating profit for € 27,421 thousand and higher net profit for € 5,738 thousand.

11.3 Acquisition of control of AER Ambiente Energia Risorse SpA

On 15/12/2023, following the share capital increase, the Shareholder Municipalities (Dicomano, Figline and Incisa Valdarno, Londa, Pelago, Reggello, Rignano sull'Arno, Rufina and San Godenzo) transferred to the parent company the shares held in AER – Ambiente Energia Risorse SpA for an overall stake of 90.02%.

Following this, a share capital increase was registered for € 1,237,542, plus a share premium of € 2,223,526.

The company's purpose is to carry out waste cycle services rendered to the relative municipalities.

The fair value of identifiable assets and liabilities at the acquisition date was as follows:

AER - Statement of financial position (in € thousands)	**Fair value**
Property, plant and equipment	
Goodwill	
Assets under concession	2,659
Equity investments	312
Other non-current financial assets	13
Other non-current assets	
Deferred tax assets	80
NON-CURRENT ASSETS	**3,064**
Inventories	14
Trade receivables	2,775
Contractual assets	
Current tax assets	185
Other current assets	1,094
Other current financial assets	
Cash and cash equivalents	1,840
CURRENT ASSETS	**5,908**
TOTAL ASSETS	**8,972**
Provisions for risks and charges	638
Employee severance indemnity	950
Non-current portion of medium/long-term loans	465
Deferred tax liabilities	70
Other non-current liabilities	87
Contractual liabilities	
NON-CURRENT LIABILITIES	**2,210**
Current portion of medium/long-term loans	70
Short-term borrowings	
Trade payables	2,153
Contractual liabilities	
Current tax liabilities	
Other current liabilities	694
Other current financial liabilities	
CURRENT LIABILITIES	**2,917**

AER - Statement of financial position (in € thousands)	Fair value
TOTAL NET IDENTIFIABLE ASSETS	**3,845**

Minority interests in net identifiable assets	384
ACQUISITION PRICE	**3,461**

Based on purchase price allocation analysis, no significant differences were identified between the fair value of the identifiable assets and liabilities taken on and the net carrying amount as of the acquisition date.

The accounting for the operation in these consolidated financial statements was determined provisionally, owing to the temporary nature of the values assignable to the assets and liabilities of the company acquired and will be made definitive and possibly adjusted within the term of twelve months from the acquisition date, as provided for in IFRS 3 B67.

If the combination had been effective from the beginning of the year, the income statement in the consolidated financial statements at 31 December 2023 would have presented higher revenue for € 13,566 thousand, an insignificant change in the gross operating margin (EBITDA), lower operating profit for € 555 thousand and lower net profit for € 591 thousand.

11.4 Acquisitions of additional interests in companies already controlled

During 2023 note the following:

- the increase in the Group’s controlling stake in Revet Spa, which went from 55.55% at 31 December 2022 to 57.697% at 31 December 2023, following the acquisition of an additional 2.196% shareholding by Alia for € 1,066,042;
- the increase in the Group's controlling stake in Ambiente Toscana Op.Co S.p.A. which went from 83.33% at 31 December 2022 to 100% at 31 December 2023 following the acquisition of an additional 16.67% shareholding by Alia for € 65,000.

The transaction to acquire these additional interests determined a negative result of € 242,440 thousand based on the difference between the fair value of the consideration paid and the amount of the third-party units reduced by the operation, recognised in equity as required by IFRS 10.B96.

A summary is provided below of the considerations paid, the carrying amount of the net assets acquired and the effects recognised in shareholders’ equity:

Company	% Acquired	Carrying value of interest acquired	Consideration paid	Retained earnings/losses
Revet SpA	2.196%	864,515	1,066,042	(201,527)
Ambiente Toscana Opco SpA	7.19%	24,087	65,000	(40,913)
Total		**888,602**	**1,131,042**	**(242,440)**

11.5 Subsidiaries with significant non-controlling interests

Details are provided below of the subsidiaries with significant non-controlling interests.
The economic-financial data is based on balances prior to intercompany eliminations.

Portion of shareholding interest held by non-controlling shareholders:

Company name (Fully consolidated subsidiaries)	Registered office	Currency	Primary activity	% of Non-Controlling Interests 2023	% of Non-Controlling Interests 2022
Estra SpA (Group)	Prato (PO)	Euro	Gas and electricity sales, Gas distribution	60.496%	

As noted previously, although minority interests hold 60.496% of Estra S.p.A. shares, the company is controlled by Alia based on the provisions of the Articles of Association and shareholders' agreements. Please see the section "Acquisition of a controlling interest in Estra SpA".

Estra SpA (Consolidated Financial Statements)

Consolidated Income Statement schedule (in € thousands)	Period ended	
	31/12/2023	31/12/2022
Revenue from sale of goods and services	1,195,704	1,766,057
Other operating revenue	26,512	12,235
Raw materials, ancillary materials and goods	(795,373)	(1,514,145)
Costs for services	(209,042)	(103,187)
Personnel costs	(48,941)	(46,595)
Depreciation, amortisation, provisions and write-downs	(78,215)	(69,667)
Other operating costs	(15,769)	(8,890)
Operating profit/(loss)	**74,876**	**35,808**
Financial income	10,276	2,694
Financial expenses	(37,910)	(14,329)
Gains or losses on currency conversions	(4)	(3)
Portion of income/(expenses) from valuation of financial investments using the equity method	(2,349)	(577)
Profit before taxes	**44,889**	**23,593**
Income taxes for the year	(16,710)	(9,203)
Net profit	**28,179**	**14,390**
Profit/(loss) of non-controlling interests	916	(271)
Group profit/(loss)	27,263	14,661

Statement of consolidated financial position	Period ended	
	31/12/2023	31/12/2022
Property, plant and equipment	134,370	141,147
Goodwill	35,496	35,496
Intangible assets	516,932	498,719
Equity investments	20,933	24,139
Other non-current financial assets	10,289	12,289
Other non-current assets	2,464	3,137
Deferred tax assets	73,705	69,991
NON-CURRENT ASSETS	**794,189**	**784,919**
Inventories	16,632	41,166
Trade receivables	395,602	442,369
Current tax assets	9,263	7,235
Other current assets	131,666	228,479
Other current financial assets	3,207	25,442
Cash and cash equivalents	157,915	345,872
CURRENT ASSETS	**714,286**	**1,090,563**
TOTAL ASSETS	**1,508,475**	**1,875,482**
Share capital	228,334	228,334
Reserves	138,329	136,585
Group profit (loss) for the year	27,263	14,661
Total Group Shareholders' Equity	**393,926**	**379,581**
Capital and reserves attributable to non-controlling interests	42,874	43,940
Profit (loss) attributable to non-controlling interests	916	-271
Total Shareholders' Equity attributable to non-controlling interests	**43,789**	**43,669**
TOTAL SHAREHOLDERS' EQUITY	**437,715**	**423,249**
Provisions for risks and charges	16,032	11,053
Employee severance indemnity	7,801	7,634
Non-current portion of medium/long-term loans	407,232	514,082
Deferred tax liabilities	25,656	27,516
Other non-current liabilities	19,360	17,211
Contractual liabilities	26,743	26,145

NON-CURRENT LIABILITIES	**502,824**	**603,642**
Current portion of medium/long-term loans	192,920	151,882
Short-term borrowings	7,259	44,681
Trade payables	278,318	522,953
Contractual liabilities	1,220	944
Current tax liabilities	17,369	2,411
Other current liabilities	69,823	113,088
Other current financial liabilities	1,026	12,632
CURRENT LIABILITIES	**567,934**	**848,590**
TOTAL LIABILITIES and Shareholders' Equity	**1,508,474**	**1,875,482**

12.EXPLANATORY NOTES TO INCOME STATEMENT ITEMS

12.1. Revenue

Overall, total revenues for sales and services for the Alia Group in 2023 come to € 947,483,936 (€ 411,504,747 at 31 December 2022), showing an increase of € 535,979,189, mainly due to the change in the scope of consolidation with the inclusion of the Estra sub-Group in the income statement during the second half.

Revenues solely from the parent company Alia Servizi Ambientali S.p.A. deriving from waste collection, processing and disposal services total € 336,945 thousand, of which 277,716 thousand from municipalities which are direct and indirect shareholders and € 59,229 thousand from individual customers in the Municipalities which adhere to the ATS-1, for which the TARIC (tariff fee) was activated in 2023.

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Revenue from integrated waste management - TARI	277,715,733	338,323,740	-60,608,007
Revenue from integrated waste management - TARIC	59,223,090	1,343,517	57,879,573
Revenue from waste selection and transport	7,302,774		7,302,774
Revenue from other activities	82,110,923	64,865,936	17,244,987
Revenue from sales of finished products	8,416,033	6,971,554	1,444,479
Revenue from sales of methane gas	263,783,566		263,783,566
Revenue from methane gas distribution	32,101,673		32,101,673
Equalisation methane gas distribution	1,838,494		1,838,494
Revenue from sales of electricity	167,298,329		167,298,329
Revenue from sales and distribution of LPG	1,229,648		1,229,648
Revenue from buildings' energy efficiency	42,309,563		42,309,563
Revenue from telecommunication services	2,935,397		2,935,397
Revenue from post meter services and ancillary gas and electricity services	1,218,713		1,218,713
TOTAL	**947,483,936**	**411,504,747**	**535,979,189**

Below are comments on the main items which make up revenues:

Revenue from integrated waste management (TARI and TARIC)

"Revenue from integrated waste management" was realized with reference to Municipalities and refer to activities carried out on the basis of the provisions of the SC, represented by the collection, transport and sweeping of waste, management of systems and management of landfills post-closure, the establishment of collection centres and relative accessory activities.

In light of the amendment to the SC adopted through the supplementary deed of 7 October 2021, among other things, it was established that the fee due to Alia for the provision of the services by the same shall be defined in line with the relevant regulatory provisions issued by ARERA ("Waste Tariff Method", hereafter also "MTR"), thereby introducing the link between the contractual price and that deriving from regulatory mechanisms, specifically with reference to resolution 443/2019 of 31 October 2019 (containing "Definition of criteria to recognise efficient operating costs and investment in the integrated waste management service, for 2018-2021", hereafter also "Resolution 443") and 363/2021 of 3 August 2021 ("Approval of the MTR-2 waste tariff method for the second regulatory period 2022-2025, hereafter also "Resolution 363").

Essentially, the MTR establishes that in the context of the procedure to approve the Economic and Financial Plan (EFP) for the concession, the tariff is calculated taking the following components into consideration:

- Variable costs for waste collection, transport and processing (also taking into account any revenue components);
- Costs for use of capital, including depreciation of Manager fixed assets (determined in line with the Regulatory Useful Life).

In this context, note that the approval of the 2022-2025 EFP by the OTA shareholder's meeting with Resolution no. 07/2022 of 23 May 2022, for the first time introduced the preparation of a project/investment schedule with a four-year horizon (compared to the previous annual frequency).
When preparing the 2022 financial statements, Alia management determined, with assistance from external attorneys and the relevant trade association, that the updates which had occurred in the regulatory provisions and the mechanism to determine the tariff made it possible to recognise revenue in the amount of the amortisation incurred but not yet recognised in the tariff due to "time lag t-2". In fact, recall that determination of the fee for financial year "n" is based on costs (relevant for regulatory purposes) incurred in year "n-2"), thereby leading to a two-year time lag between the recognition of charges and the relative recognition in the MTR tariff.
The analysis performed indicated that Alia holds a contractual right to this fee component (Amm. tariff component), given that it has a strong legitimate interest to see recognition of the amount regardless of future performance.

When preparing the financial statements for 2022, these changed circumstances made it possible to overcome the uncertainties which in past years had not allowed recognition of the fee associated with the component mentioned above. The elimination of these uncertainties therefore made it possible to establish estimates which, in contrast to the past, were deemed reliable and hence suitable to support recognition of the fee commensurate with depreciation calculated on authorised investments which had been carried out and begun operating.
Similarly applying IFRS 15 to the case (see IAS 8, paragraphs 10 and 11), it was held that the fee due to Alia for services provided fell under the definition of a variable fee and that, for the reasons outlined above, it was highly probable that in the future no circumstances would arise that could create doubts about the existence or the amount of the same.

The change which occurred was recognised in the financial statements for 2022 as a change in an estimate, in line with paragraphs 32-38 of IAS 8 and, therefore, was recognised prospectively in the economic result for the year.
Consequently, the 2023 income statement includes depreciation for 2023 (included in the MTR 2025 tariff), while the 2022 income statement included depreciation also for 2020 and 2021.

Hence, the item "Revenue from integrated waste management" includes the following components:

Description	**2023**	**2022**	**Changes**
Revenue from OTA resolution no. 7 of 23/05/2022 (excluding AMM tariff component)	311,494,015	285,720,316	25,773,699
AMM. tariff component 2020		15,375,821	-15,375,821
AMM. tariff component 2021	-	16,158,685	-16,158,685
AMM. tariff component 2022		19,120,747	-19,120,747
AMM. tariff component 2023	25,450,943		25,450,943
TOTAL	**336,944,958**	**336,375,569**	**569,389**

The AMM 2023 tariff component, within the statement of financial position, is found under the item "Non-Current Assets from Contracts with Customers" for € 25,451 which will be included in the MTR 2025 tariff, while the item "Current Assets from Contracts with Customers" includes the AMM 2022 tariff component for € 19,121 thousand, included in the MTR 2024 tariff.

With reference to revenues from waste collected from street sweeping determined in the concession contract or based on other contacts, with almost all transactions occurring based on contracts which include solely an obligation to do so, satisfied "over time".

Revenue from waste selection and transport
The item includes revenue from free market waste management, processing and disposal services provided by the newly acquired companies Ecos S.r.l., Bisenzio Ambiente S.r.l., Ecocentro S.r.l. and Ecolat S.r.l., subsidiaries of Estra SpA.

Revenue from other activities
This item mainly includes:
- revenue from consortia (COREPLA, COREVE, CONSORZI RAEE, etc.) and other entities with reference to contributions for sales of materials coming from separate waste collection (paper, steel, iron, electronic equipment, glass, plastic, etc.);
- Revenue from heat and maintenance management;
- revenue from electricity produced by photovoltaic systems.

Revenue from sales of finished products
"Revenue from sales of finished products" includes revenues from the sales of granules by the subsidiary Revet.
Almost all transactions relative to sales are carried out at a "point in time".

Revenue form methane gas sales and *electricity sales*
These items refer to payments for sales of electricity and gas to business, retail and domestic customers, recognised and allocated at the time the supply is made. These are recognised based on pre-established consumption meter reading dates and include estimates of electricity and gas supplied to end customers and not yet invoiced at 31 December. This estimate is obtained as the difference between consumption (effective or estimated based on the customers' historic consumption and other factors that could influence consumption, such as weather conditions) already invoiced by the end of the financial period and the total quantity released into the distribution network, determined by taking as a reference the volumes allocated by the national distributor and the internal customer consumption forecasts.

The item also includes revenues from trading on digital platforms carried out, in the context of natural gas sales, to improve purchasing and supply conditions by optimising the Group's assets (natural gas storage and transport capacity).

Revenue from methane gas distribution and *Equalisation of methane gas distribution*
These items refer to natural gas distribution business, as well as the supply of commercial services.
Revenue from gas distribution is recognised on an accrual basis, in line with the tariffs and relative constraints established under the law and by ARERA, in effect during the reference period. When resolution ARG/gas 159/08 took effect, an equalisation mechanism was established which makes it possible to calculate revenues attributable to distribution companies remunerating capital invested and operating costs attributable to gas distribution and metering services, regardless of volumes distributed. With resolution 570/2019/R/gas, adopted at the end of 2019, the parameters which govern calculation of the VRT from 2020 - 2025 were established (Fifth Regulatory Period). These revenue amounts are found in gas distribution invoices issued to sales companies and, also included in the VRT, the equalisation component relative to the Cassa per i Servizi Energetici e Ambientali.
Revenue for provision of services is recognised with reference to completion progress.

Revenue from buildings' energy efficiency
This item refers to revenue from projects to improve energy efficiency and, in particular, work performed with reference to the 110 Super Bonus for contractors in the Relaunch Decree of 19 May 2020.
A list is provided below of the Group's revenue from contracts with customers for the year ended 31 December 2023, according to operating sector:

Year ended on 31 December 2023 (amounts in euros)	Total	Environment	Gas and Energy Sales	Gas Distribution	Other
	Business segment				
Revenue from integrated waste management - TARI	277,715,733	277,715,733			
Revenue from integrated waste management - TARIC	59,223,090	59,223,090			
Revenue from waste selection and transport	7,302,774				7,302,774
Revenue from other activities	82,110,923	74,108,616			8,002,307
Revenue from sales of finished products	8,416,033	8,416,033			
Revenue from sales of methane gas	263,783,566		263,783,566		
Revenue from methane gas distribution	32,101,673			32,101,673	
Equalisation methane gas distribution	1,838,494			1,838,494	
Revenue from sales of electricity	167,298,329		167,298,329		
Revenue from sales and distribution of LPG	1,229,648				1,229,648
Revenue from buildings' energy efficiency	42,309,563				42,309,563
Revenue from telecommunication services	2,935,397				2,935,397
Revenue from post meter services and ancillary gas and electricity services	1,218,713		1,218,713		
	947,483,936	**419,463,472**	**432,300,608**	**33,940,167**	**61,779,689**

12.2. Construction revenues from Concession Rights

Construction revenue from concession rights represents the amount due for work performed in favour of the granting entity and are measured at fair value, determined based on total costs incurred.
The balancing entry for these revenues is represented by concessionary rights for intangible assets.

The item, totalling € 114,706,795, refers for € 97,497,225 to integrated waste management services and for € 17,209,570 thousand to natural gas distribution.

12.3. Other operating revenue

Other operating revenue for the Alia Group amounted to € 31,800,238 (€ 7,575,056 at 31 December 2022) and is broken down in the schedule below:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Revenue for indemnities	1,253,989	132,152	1,121,838
GSE electricity production incentives	-	118,842	-118,842
Corporate canteen revenue	354,007	300,426	53,581
Revenue from penalties	2,184,712	494,392	1,690,320
Amounts recovered and reimbursed	528,916	1,006,497	-477,580
Incentive tariff	116,583	118,419	-1,836
Other revenue	17,759,874	2,915,677	14,844,197
Transport expense reversal	985	2,352	-1,367
Disposal cost reimbursement	3,343,046	2,486,300	856,747
Energy Efficiency Certificates	6,258,125	-	6,258,125
TOTAL	**31,800,238**	**7,575,056**	**24,225,183**

Without prejudice to the information below on extraordinary items, the item "Other revenue" refers mainly to ancillary revenue related to gas distribution as indemnities to the sales company, revenue for document checks, refund of default expenses, work debited to third parties, ancillary services invoiced with the transmission and security incentives.

The item "Other revenue" includes the following extraordinary items:

- Revenue, for € 451 thousand in 2023 and € 1,436 thousand in 2022, relating to fees on the residual amount for foregone amortisation on initial installation electronic meters disposed of early paid to Group companies operating in the distribution of natural gas as a recovery on previous years' tariffs, pursuant to ARERA Resolution 737/2022/R/gas of 29 December 2022.

- Revenue for € 10,273 thousand relative to the expected contribution from the Region of Tuscany against costs incurred following the exceptional flooding on 2 November 2023 in the provinces of Florence, Livorno, Pisa, Pistoia and Prato, for projects carried out by Alia as the entity identified by the waste management Commissioner to handle this work, for both urban and special waste generated in the areas impacted by river and stream flooding.
  As of the reporting date, a specific estimate was calculated for works carried out as the implementing entity, which are expected to be received as the equal contribution, based on ordinance 1037/23 when the damages are recognised. Supported by its attorneys, the company has therefore recognised the amount of € 10,273 thousand under the item other income, determining payment of the same to be highly probable and in any case not significant enough for a possible downward adjustment at the time of payment.

The item "Energy Efficiency Certificates" (EECs) contains the value of the said certificates relative to the year 2023 as a tariff contribution pursuant to ARERA provisions. With Resolution 340/2023/R/EFR of 25 July 2023, ARERA published the value of the tariff contribution of € 250.00/TEE, and the additional fee of € 0.68/TEE, payable to distributors in the scope of the energy efficiency certificates for the obligation year 2022.

12.4. Other income

Other operating income amounted to € 14,386,238 (€ 3,514,480 at 31 December 2022) and is broken down in the schedule below:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Contributions to plants	365,485	107,612	257,873
Contributions to operating expenses	2,354,449	1,724,303	630,145
Capital contributions	499,658	699,475	-199,817
Revenues from recovery of fuel excise	0	91,907	-91,907
Capital gains	334,182	612,912	-278,730
Research and development contribution	6,820	6,820	0
Capitalisation, internal personnel costs	391,007	271,451	119,556
Other income	10,434,638	0	10,434,638
Other Income	**14,386,238**	**3,514,480**	**10,871,758**

The item "Other income" includes the following extraordinary items:

- Indemnities for € 9,719 thousand received following the positive resolution of several disputes involving Estra Energie S.r.l. as an active part in the request for economic damages from several providers. At the closing date of the financial statements, the amounts recognised as compensation for damages were fully collected.

12.5. Consumption of Raw Materials and Consumables

Below is a breakdown of the consumption of raw materials and consumables at 31 December 2023:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Fuel and lubricants	11,034,403	10,829,641	204,762
Gas balancing	4,932,144	-	4,932,144
Biomass	451,154	-	451,154

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Meters	1,639,934	-	1,639,934
Spare parts	3,007,708	2,746,439	261,268
Bags	1,878,395	2,067,684	-189,289
Consumables	3,331,745	3,390,570	-58,825
Chemical products	512,759	677,376	-164,617
Other purchases	9,028,099	4,973,753	4,054,347
Electricity, industrial use	84,258,238	-	84,258,238
Natural gas, methane and LPG	161,824,378	-	161,824,378
Gas transport	29,587,175	-	29,587,175
Changes in inventories	1,257,610	-1,057,501	2,315,111
Income/(expenses) from commodity risk management	1,178,719	-	1,178,719
TOTAL	**313,922,462**	**23,627,962**	**290,294,500**

The item "Income/expenses from commodity risk management" refers, as well as to the result of the natural gas trading activity, also to the change in fair value of financial derivatives (commodity swaps) used for the purpose of optimising the industrial portfolio and not accounted for as cash flow hedges. With reference to the latter please see what is explained in the paragraph IFRS 9 Financial Instruments – Implementation of Hedge Accounting above.

12.6. Costs for services

Below is a breakdown of costs for services at 31 December 2023 and 31 December 2022:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Waste collection	59,356,274	53,832,953	5,523,322
Insurance	6,204,771	4,736,497	1,468,274
TIA collection services	1,505,247	1,138,220	367,027
Legal and notary expenses	2,800,257	632,582	2,167,675
Services from third parties	29,303,245	7,124,713	22,178,532
Supplier reimbursement of regional waste disposal tax	2,457,709	2,541,668	-83,958
Others	26,916,077	15,741,366	11,174,711
Third party processing	5,363,720	5,790,749	-427,029
Multimaterial plant management	2,355,778	2,318,744	37,034
Costs for gas distribution to users	21,240,868		21,240,868
Costs for electricity transport and dispatching	59,604,089		59,604,089
Waste transport, processing and disposal	90,227,950	76,623,932	13,604,018
Expenses for gas concessions	6,813,136		6,813,136
Cleaning and brushing	6,643,235	6,035,114	608,120
Management and cleaning, green areas and historic centres	8,484,978	7,659,148	825,830
Environmental hardship indemnity	1,078,626	1,317,797	-239,171
Maintenance	34,252,778	12,001,468	22,251,310
Energy, water, gas and telephony	10,181,160	7,611,385	2,569,775
Leases and rents payable	8,098,190	4,336,591	3,761,598
Canteen	2,196,160	1,509,098	687,062
TOTAL	**385,084,247**	**210,952,024**	**174,132,224**

12.7. Personnel costs

Below is a breakdown of costs for personnel at 31 December 2023 and 31 December 2022:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Wages and salaries	97,158,714	77,024,276	20,134,437
Agency staff	8,414,928	8,308,519	106,409
Social security contributions	33,785,513	25,610,499	8,175,014
Employee severance indemnity	6,021,766	5,173,829	847,937
Other personnel costs	7,611,230	5,147,952	2,463,278
Personnel Costs	**152,992,151**	**121,265,076**	**31,727,075**

12.8. Other operating expenses

Below is a breakdown of other operating expenses at 31 December 2023 and 31 December 2022:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Regional disposal tax	722	3,260	-2,538
Contingent liabilities	900,740	857,581	43,159
Sundry taxes and duties	2,720,724	1,450,946	1,269,778
Other operating expenses	11,260,371	1,606,270	9,654,101
Commission payable	41,354	49,658	-8,305
Other Operating Expenses	**14,923,911**	**3,967,715**	**10,956,196**

12.9. Portion of Financial Income (Expense) from non-financial equity investments

This item, equal to € 10,828,320 (€ 929,131 at 31 December 2022), includes income (expense) from revaluations (writedowns) resulting from using the equity method to measure investments in companies subject to joint control in which the Group plays a significant operating and management role. Please see the comments on the corresponding item in the balance sheet assets.

12.10. Amortisation, Depreciation, Provisioning and Writedowns

Below is a table containing amortisation, depreciation and other provisioning carried out during the year:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Intangible Fixed Assets	17,374,319	244,558	17,129,761
Property, Plant and Equipment	10,159,725	4,279,080	5,880,645
Amortisation, concession rights	38,043,160	21,059,119	16,984,041
Amortisation, rights of use	4,010,783	2,075,456	1,935,328

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Provisions for Risks	-286,616	321,666	-608,282
Provisions landfill post-management	-2,538,626	1,621,665	-4,160,291
Amortisation, real estate investments	17,637	-	17,637
Other provisions	7,422,531	871,101	6,551,430
TOTAL	**74,202,915**	**30,472,645**	**43,730,269**

For details on the items relative to amortisation/depreciation and write-downs of non-current assets, please see the schedules for property, plant and equipment, intangible assets and assets under concession.
For details on items relative to provisions, please see the comments on provisions for risks under the liabilities in the balance sheet.

12.11. Net writedowns (writebacks) of trade and other receivables

This item consists of:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Provision for writedowns	11,116,434	1,037,779	10,078,656
TOTAL	**11,116,434**	**1,037,779**	**10,078,656**

12.12. Write-downs and writebacks on financial assets and liabilities

This item, equal to € 34,181 (€ 26,129 at 31 December 2022), can be broken down as follows:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Writebacks on equity investments	-32,764		-32,764
Write-downs on equity investments	1,117	26,129	-25,012
Write-downs on non-current financial assets not constituting equity investments	65,827		65,827
TOTAL	**34,181**	**26,129**	**8,052**

12.13. Portion of Financial Income (Expense) from financial equity investments

The balance at 31 December 2023 was € 18,096,739 (€ 244,201 at 31 December 2022) and includes income (expense) from revaluations (writedowns) resulting from using the equity method to measure investments in associated companies. Please see the comments on the corresponding item in the balance sheet assets.
As described in the comment on the relative items under equity investments, the amount at 31 December 2023 includes a writedown on the investment in Blugas Infrastrutture Srl for € 2,195 thousand and profit from the synthetic PPA carried out when the equity investment in Acque SpA was acquired, following the merger by incorporation of Publiservizi, for € 3,315 thousand.

12.14. Financial income

Financial income

The table below provides a breakdown of financial income:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Income from equity investments in other companies	7	3	4
Other interest income on receivables	3,335,276	2,091,999	1,243,277
Interest income on bank accounts	3,694,937	13,084	3,681,853
Income other than the above	3,203,238	395	3,202,843
Interest income from associates	86,090	-	86,090
TOTAL	**10,319,548**	**2,105,481**	**8,214,067**

The item income other than the above mainly refers to the effects of the financial discounting of tax credits acquired after the application of the discount in the invoice for energy efficiency projects.

12.15. Financial expenses

The table below provides a breakdown of financial expenses:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Interest expense on loans	13,366,518	1,875,914	11,490,604
Interest payable on bonds	8,350,867	2,534,852	5,816,014
Interest expense on arrears	226,158	17,395	208,763
Interest expense on bank accounts	204,978	78,511	126,467
Financial expense on discounting of provisions for landfill post-management	460,066	202,163	257,903
Interest expense, TFR	547,571	69,162	478,409
Other interest expense	4,880,689	2,228,733	2,651,956
Interest expense on loans	5,529,940	-	5,529,940
Expenses other than the above	2,013,807	-	2,013,807
TOTAL	**35,580,594**	**7,006,730**	**28,573,864**

The item "Other interest payable" includes, in particular: an allocation to the provision for risks of € 1,909 thousand for interest payable that the Group may have to pay for delayed payment of payable items subject to dispute, in the event of losing the dispute.

12.16. Taxes

In the financial periods ended 31 December 2023 and 31 December 2022, income taxes for the year amounted to € 7,004 thousand and € 7,719 thousand respectively:

	31/12/2023	31/12/2022
Current taxes	15,692,264	3,740,360
Taxation of previous years	-121,411	-215,334
Current taxes	**15,570,853**	**3,525,026**
Deferred tax assets	-2,922,183	5,182,526
Deferred taxes	-5,644,839	-988,953
Taxes for the year	**7,003,831**	**7,718,599**

With reference to current taxes, note that the national tax consolidation regime is in effect between Estra SpA and some of its direct subsidiaries (Estra Clima S.r.l., Centria S.r.l., Estra Energie S.r.l., Gergas S.p.A., Estracom S.p.A. and Ecos S.r.l.), governed by articles 117 to 129 of Italian Presidential Decree 917/1986. This optional regime envisages that the holding company is responsible for calculating a single taxable income for the entire Group, corresponding to the algebraic sum of net incomes of the companies covered, and consequently a single income tax payable for the Group companies.
In each fiscal year companies recording a loss have the right to receive as loss compensation an amount equal to the IRES tax rate applicable in that fiscal year, multiplied by the loss in question. Companies recording a surplus of interest expense or excess ROL have the right, if the surplus is used, to receive compensation equal to an agreed percentage of the lower taxes calculated on the surplus used.

13. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME ITEMS

13.1. Actuarial gains/(losses)

In the year ended 31 December 2023, actuarial losses amounted to € 400 thousand, compared to the actuarial profits of € 2,189 thousand recognised for the financial year ended 31 December 2022.
The item represents the component of comprehensive income incorporating the change to the "Actuarial Loss Reserve (OCI)", recorded for the actuarial gains and losses arising from changes to the actuarial assumptions used in the employee severance indemnity valuation as per IAS 19.

14. EXPLANATORY NOTES TO BALANCE SHEET ITEMS

14.1. Property, plant and equipment

This item saw the following changes during the year:

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Fixed assets under construction	Total property, plant and equipment
Amounts at 31/12/2022						
Gross value	54,929,722	41,931,763	5,618,897	1,700,952	2,212,896	106,394,230
Accumulated depreciation	-15,826,727	-14,112,801	-2,427,809	-1,592,513		-33,959,850
Net balance	**39,102,995**	**27,818,962**	**3,191,088**	**108,439**	**2,212,896**	72,434,380
Net changes during the year						
Reclassification, gross value	572,488	5,052,907	-6,094,628	5,842,308	-5,405,946	**-32,871**
Change in scope of consolidation - Gross Value	19,812,598	161,160,669	5,300,460	24,064,756	5,224,201	**215,562,684**
Contributions from Mergers - Gross Value	32,675,181	63,366,229	906,388	66,676	-	**97,014,474**
Changes from acquisitions	508,255	2,916,371	852,127	3,075,268	7,287,037	**14,639,058**
Write-downs	-891,492	-1,923,501	-	-	-	**-2,814,993**
Decreases	82,779	-1,558,024	-1,296,071	-909,376	-9,000	**-3,689,691**
Depreciation	-1,865,214	-6,645,159	-687,714	-961,638	-	**-10,159,725**
Reclassification accumulated depreciation	-	-390,402	5,374,351	-4,836,215	-	**147,734**
Contributions from Mergers – accumulated depreciation	-11,481,237	-63,067,385	-906,388	-58,671	-	**-75,513,680**
Disposal of accumulated depreciation	-	1,556,022	1,273,570	730,563	-	**3,560,156**
Change in scope of consolidation – accumulated depreciation	-5,180,365	-68,201,073	-3,952,370	-20,310,759	-	**-97,644,566**
Other changes	-0	-18,437,570	-	-0	-70,795	**-18,508,366**
Amounts at 31/12/2023						

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Fixed assets under construction	Total property, plant and equipment
Gross value	119,117,171	245,465,028	5,549,597	32,993,538	9,238,394	412,363,726
Accumulated depreciation	-45,781,182	-143,816,981	-1,588,783	-26,182,187		-217,369,132
Net balance	**73,335,989**	**101,648,047**	**3,960,814**	**6,811,351**	**9,238,394**	**194,994,594**

The main changes refer to:

- Contributions from mergers for a net total of € 21,501 thousand. More information can be found in the specific section in the note on the merger by incorporation in Alia of Consiag, Publiservizi and Acqua Toscana;
- Change in the scope of consolidation for a net amount of € 117,918 thousand, relative to the line-by-line consolidation of Estra Spa and AER Servizi Ambientali;
- Investments during the period for € 14,652 thousand;
- Depreciation for the period of € 10,621 thousand.

Increases due to changes in the scope of consolidation include, in particular:

- a wood biomass co-generation plant and the related district heating network in the Municipality of Calenzano for € 1,840 thousand;
- plant and equipment relating to the implementation of telematic and telecommunications structures arising from activities undertaken by Estracom S.p.A. for € 10,574 thousand;
- the trigeneration plant set in the municipally of Sesto Fiorentino, for € 1,135 thousand;
- photovoltaic systems for € 11,148 thousand;
- a municipal waste selection plant, with annexed premises, owned by the subsidiary Ecolat S.r.l. for € 7,191 thousand;
- a chemical, physical and biological treatment plant for liquid hazardous and non-hazardous special waste, owned by the subsidiary Bisenzio Ambiente S.r.l. for € 13,538 thousand;
- a recovery and treatment plant for non-hazardous waste mainly from road sweeping, owned by the subsidiary Ecocentro Toscana S.r.l. for € 5,803 thousand.
- a property complex used as offices and warehouse located in the Municipality of Pettoranello del Molise in the province of Isernia for € 1,615 thousand;
- a property purchased during financial year 2023 in Ancona, under renovation, for use as offices, for a net book value at 31 December 2023 of € 1,407 thousand owned by Estra SpA.

14.1.1. Impairment tests pursuant to IAS 36 on the value of property, plant and equipment

Financial year 2023

The directors, having analysed the current internal and external conditions, observed indicators of impairment at the closing date of the consolidated financial statements at 31 December 2023 with reference to:

i) A hazardous and non-hazardous liquid waste treatment plant owned by the subsidiary Bisenzio Ambiente S.r.l.
The plant, recognised at a carrying amount as at 31 December 2023 of € 16,677 thousand, gross of deferred tax liabilities for € 2,011 thousand, was subject to an impairment test following lower operating results than the budget provisions resulting from lower volumes of assets due to the longer start-up phase than initially envisaged. This plant refers to the "Waste management" included under "Other operating sectors".

The impairment test compared the carrying amount recognised and the estimated recoverable value for the asset, calculated on the basis of its value in use.
For the value in use, the current value of estimated future cash flows was considered, which supposes that they will derive from the asset's continued use. The value in use was determined using the Discounted Cash Flow method, which estimates future cash flows and their discounting based on an appropriate discount rate. The cash flows arose from explicit projections until 2031 and the Terminal Value extrapolated using a growth rate of 0.

The cash flow projections represent the best estimates that the Estra management could make based on the main assumptions underlying the plant's operations (volumes of waste treated and related mix, maintenance costs and investments in the plant, sales tariffs), as per the latest business plan approved. The approved plan assumes the achievement of an extension of the current expiry of the integrated environmental authorisation (2034).
The discount rate used to reflect the current market valuations with reference to the present value of money and specific risks associated with the asset, was estimated consistently with the considered cash flows, using the weighted average cost of capital (WACC) after tax of 7.91%. On completion of these analyses, the directors did not record impairment in the current year, against a carrying amount, after depreciation for the period, higher than its value in use, despite the underlying assumptions of the operations of the plant suffering intrinsic uncertainties in the start-up and commercial development of a recently constructed plant, reflected in reduced operating cash flows in the first years of the plan.

The calculation of the value in use is especially sensitive to the following assumptions:
- gross margin;
- discount rate.

The gross margin was based on the previous year's figures, assuming gradual increases in volumes treated with a significant increase in the plant's production capacity within the limits of the authorisation granted; an improvement in the mix of waste treated in favour of more profitable types, marginal efficiency improvements in the disposal costs with the increase of volumes treated. Management expects the market share of the plant to grow over the plan's time frame, thanks also to the commercial investments envisaged for maintenance and the acquisition of new customers.
Management recognises that it is possible that new players will enter the market and/or increased competition in the sector could impact significantly on the growth rate and that the increase in disposal costs or the failure to achieve the efficiency targets could lead to a reduction in the margins against those envisaged in the Plan.
The sensitivity analysis was developed by focusing on plant margins, assuming a 5% decrease, with a consequent reduction in cash flows over the course of the plan and in following years, and on a WACC increase of 0.5%. The amounts obtained on this basis were also higher than the carrying amounts of the plant, further confirming the recorded value.

ii) A wood biomass co-generation plant and the related district heating network in the Municipality of Calenzano and a trigeneration plant located in the Municipality of Sesto Fiorentino owned by the subsidiary Estra Clima S.r.l. and falling within the operating segment "Heat management" included in "Other operating sectors".

Directors noted impairment indicators with reference to the biomass cogeneration plant located in Calenzano Municipality, recorded at a book value of Euro 4,344 thousand at 31 December 2023, following operating results lower than plan estimates mainly due to the higher maintenance costs necessary for proper operation of the plant.
In addition to a review of the tariff conditions for all customers expiring on 30/09/2024, the new plan envisages the construction of the new CHP cogeneration plant, powered exclusively by methane gas.

The directors noted impairment indicators referring to the district heating plant in Sesto Fiorentino, recorded for a carrying value of € 1,359 thousand at 31 December 2023, due to lower operating results from the plan forecasts, largely as a result of less urban development, and consequently, less connected residential units compared to expectations. The new plan envisages a tariff review of the contracts expiring on 30/06/2025 and assumes a stable energy scenario for the upcoming years in the absence of significant urban development.

The impairment test compared the carrying amount recognised and the estimated recoverable value for the asset, calculated on the basis of its value in use.

For the value in use, the current value of estimate future cash flows was considered, which supposes that they will derive from the asset's continued use and disposal of the asset at the end of its useful life. The value in use was determined using the Discounted Cash Flow method, which estimates future cash flows and their discounting based on an appropriate discount rate.

Cash Flow Estimates reflect Estra's best estimates of the main assumptions underlying the Plants Operations for the period 2024-2033 (incentives, production and disposal of electricity, materials prices, maintenance costs). The terminal cash flow was extrapolated using a growth rate of 0.

The discount rate used to reflect the current market valuations with reference to the present value of money and specific risks associated with the asset, was estimated consistently with the considered cash flows, using the weighted average cost of capital (WACC) after tax of 8.04%.
On completion of these analyses, the directors reported in the current year an impairment of € 2,504 thousand for the wood biomass co-generation plant and € 224 thousand for the district heating plant in Sesto Fiorentino.

The calculation of the value in use is especially sensitive to the following assumptions:
- gross margin;
- discount rate.

A 0.5% increase in the post-tax discount rate or a 5% reduction in the expected gross margin would determine an additional reduction in value of the plant within a range of € 60-140 thousand for the Calenzano plant and € 10-50 thousand for the Sesto Fiorentino plant.

The item "Write-down of tangible assets" also includes the write-down of a photovoltaic system in order to align its net book value at the end of financial year 2023 with the price of the sale concluded in January 2024, for € 88 thousand.

14.2. Real estate investments

This item saw the following changes during the year:

	Land and Buildings	Assets under constructions and advances	Total real estate investments
Amounts at 31/12/2022			
Gross value			
Accumulated depreciation			
Net balance			
Changes during the year			
Reclassification, gross value	-13,000	13,000	
Changes from acquisitions		335,888	335,888
Contributions from Mergers - Gross Value	11,882,180	5,720	11,887,900
Depreciation	-17,637		-17,637
Contributions from Mergers – Accumulated depreciation	-4,989,609		-4,989,609
Amounts at 31/12/2023			
Gross value	11,869,180	354,608	12,223,788
Accumulated depreciation	-5,007,246		-5,007,246
Net balance	**6,861,934**	**354,608**	**7,216,542**

This item mainly refers to real estate investments acquired following the merger by incorporation of Consiag, in particular the real estate complex in the Municipality of Prato (former Banci real estate complex), with a value of € 6,500,000 and a building located in Via Savonarola, in the Municipality of Sesto Fiorentino, on which remodelling work began during 2023.

14.3. Concession rights

This item saw the following changes during the year:

	Concession rights - Gas	Concession rights - Waste	TOTAL CONCESSION RIGHTS
Amounts at 31/12/2022			
Gross value		550,394,737	**550,394,737**
Accumulated depreciation		-276,222,457	**-276,222,457**
Net balance	**-**	274,172,280	**274,172,280**
Changes during the year			
Reclassification, gross value	-421	-3,566	**-3,986**
Change in scope of consolidation - Gross Value	710,009,854	10,084,611	**720,094,466**

Changes from acquisitions	19,801,361	97,497,225	**117,298,586**
Write-downs	-2,205,680	-2,072,414	**-4,278,094**
Decreases	-3,759,858	-18,830,366	**-22,590,224**
Depreciation	-10,460,804	-27,582,356	**-38,043,160**
Reclassification of accumulated depreciation	391	3,566	**3,956**
Disposal of accumulated depreciation	1,841,478	17,605,125	**19,446,603**
Change in scope of consolidation – Accumulated depreciation	-290,782,924	-7,682,548	**-298,465,472**
Amounts at 31/12/2023			
Gross value	680,494,480	637,070,227	**1,317,564,706**
Accumulated depreciation	-256,051,041	-293,878,670	**-549,929,712**
Net balance	424,443,438	343,191,556	**767,634,994**

Concession rights - Environment

Concession rights consist of rights associated with integrated urban waste management in the municipalities of the Toscana Centro OTA which began as from 1 January 2018. For the changes in this item, please see the following section "Other intangible fixed assets".

On 31 August 2017, Alia Servizi Ambientali SpA (also defined as the Concession holder and/or Manager) and the OTA Toscana Centro signed the "Service Contract for integrated urban waste management pursuant to article 26, paragraph 6, Regional Law 61/2017 and article 203, Italian Legislative Decree 152/2006", hereafter also the "Contract" or "SC". The signing followed a public tender procedure to assign the concession for integrated urban waste management in the Municipalities of the Toscana Centro OTA.

The transition period ended at the end of 2017 and as from 1 January 2018 the concession involving the exclusive supply of integrated urban waste management began, with the following activities:

- supply of basic services;
- supply of accessory services;
- execution of the works included in the contract.

As from 1 January 2018, the services were carried out in 30 municipalities in the province of Florence, in 12 in the province of Pistoia and in 7 in the province of Prato. Starting from 1 March 2018, the service was extended to another 2 municipalities in the province of Florence and another 8 municipalities in the province of Pistoia, for a total of 59 served. Following the merger of the Municipalities of Tavarnelle Val di Pesa and Barberino Val d'Elsa, the number of Municipalities managed is currently 58.

Revenues from the concession fee were measured in 2022 in line with the ARERA Resolution of 3 August 2021 363/2021/R/RIF "Approval of the waste tariff method (MTR-2) for the second regulatory period 2022-2025", and subsequently approved by the Toscana Centro OTA with Resolution 7 of 23 May 2022. In fact, in this resolution, Toscana Centro OTA resolved to adopt the EFPs prepared for 2022–2025 for each municipality managed by Alia, in line with that established in Annex A to Resolution 363.
In particular, the approval of the 2022-2025 EFP by the OTA shareholder's meeting with Resolution no. 07/2022 of 23 May 2022 for the first time introduced the preparation of a project/investment schedule with a four-year horizon (compared to the previous annual frequency).
Alia management determined, with assistance from external attorneys and the relevant trade association, that the updates which had occurred in the regulatory provisions and the mechanism to determine the tariff made it possible to recognise revenue in the amount of the amortisation incurred but not yet recognised in the tariff due to "time lag t-2". In fact, recall that determination of the fee for financial year "n" is based on costs (relevant for regulatory purposes) incurred in year "n-2", thereby leading to a two-year time lag between the recognition of charges and the relative recognition in the MTR tariff.
The analysis performed indicated that Alia holds a contractual right to this fee component (Amm. tariff component), given that it has a strong legitimate interest to see recognition of the amount regardless of future performance, overcoming the uncertainty which in past financial years had not made it possible to recognise the fee relative to this tariff component and supporting the accounting recognition of fee in line with amortisation/depreciation calculated on investments authorised, carried out and currently operating.
The change which occurred was recognised as a change in an estimate and was therefore recognised prospectively in the net profit for the year. For more details, please see the information under note "Revenue".

Subsequently, with Resolution 1/2023 of 20 March 2023, the Toscana Centro OTA approved the presentation of an infra-period revision request with respect to the tariff established for the supra-municipal tariff scope no. 1 and the municipality of Lastra a Signa for 2023–2025.
In line with the ARERA Resolution of 3 August 2023, 389/2023/R/RIF, concerning the two-year updating (2024-2025) of the waste tariff method (MTR-2), the approval process is currently in progress for the aforementioned EFPs for the tariff perimeter.

In accordance with in article 5 of the Service Contract (as supplemented on 6 October 2021 following the approval by the Alia Servizi Ambientali S.p.A. Board of Directors with a resolution of 13 July 2021, minutes no. 11 and by the Toscana Centro OTA shareholders' meeting with resolution no.7 of 14 June 2021), the Concession involves exclusive assignment of integrated urban waste management pursuant to article 183, paragraph 1, letters n), ll) and oo) of Italian Legislative Decree 152/2006 (as amended). In particular, the Manager must carry out the following activities:

a) supply of basic services, identified in Annex I;
b) supply of accessory services upon request, included in the regulatory perimeter defined by the National Authority, identified in Annex I;
c) supply of accessory services upon request, excluded from the regulatory perimeter defined by the National Authority, identified in Annex I;
d) execution of the works identified in Annex III.

Below is a table providing details on the basic services:

BASIC SERVICES	
1	Collection, transport, sweeping, support for domestic composting
2	Management of user relations and communication
3	Analysis, communication and reporting
4	Sales of waste and/or raw materials and/or secondary raw materials and/or by-products, deriving from collection, processing, recovery and/or disposal
5	Management of existing plants included in the scope of the tender for the purposes of processing, recovering and/or disposing of waste which will be transferred to the entity awarded the service
6	Transport of waste between plants
7	Management of existing and new collection centres
8	Management of any new plants
9	Management of locations/landfills post-closure

Below is a table providing details on the accessory services.

ACCESSORY SERVICES	
1	Cleaning of streets, and public areas or areas for public use
2	Weed removal for waste collection
2BIS	Weed removal for waste collection without collecting the clippings
3	Waste collection and cleaning after public events and similar
4	Cleaning of river and stream banks and lake shores
5	Residual cleaning after accidents and similar urgent services
6	Collection of syringes left on public land or private land destined for public use
7	Cleaning of animal faecal matter
8	Collection of animal carcasses
9	Removal of vehicles abandoned on public land
10	Cleaning and washing of valuable public surfaces
11	Cleaning and disinfection of fountains and tanks
12	Cleaning of public urinals
13	Collection of asbestos from small domestic works
14	Collection of special waste left in public areas
15	Pest removal and deratting
16	Collection of used vegetable oils from restaurants and/or containers in the territory, when compatible with current and new legislation
17	Collection of cemetery waste from exhumation
18	Notification, collection and dispute service with users

As a consequence of the application of the MTR and the establishment of the regulation scope defined by ARERA with resolution 443/19, accessory services are included within the concession fee determined through the MTR. Accessory services 10, 11, 12 and 15 are excluded from the stated scope for which, as in 2018, 2019 and 2020, remuneration is based on a specific unit price established in the tender offer.

The Concession scope also includes the execution of the works included under the assigned works found in annex III to the Service Contract. The relative design is governed by article 10 of the Contract. Executive projects for works are to be approved in advance by the OTA and in the case of justified changes in costs rebalancing can occur.
Pursuant to the ARERA resolution of 3 August 2023, 385/2023/R/rif regarding the framework service contract governing relations between awarding entities and urban waste service managers, the existing service contracts must be made compliant with the framework contract following the methods and schedule established in the resolution itself.

Composition of the concession right

When the Concession was granted to the Manager Alia, ownership of all systems, properties and other assets was transferred which, up to that date, had been utilised by the previous managers, as well as those owned by local entities transferred for use free of charge.
As noted in the Introduction (in the section "General information and significant events during the year"), for the outgoing managers AER Ambiente, Energia Risorse SpA and COSEA Ambiente SpA, not merged into Alia, the transfer of the operating assets for the service, such as properties, other assets and personnel occurred as of 1 March 2018, at the residual carrying amount identified on the transfer date.
Note that, given the amortisation/depreciation criteria adopted, this reclassification had no impacts on the income statement for the year.

For the fixed assets identified above, there are no mortgages or liens in favour of financial institutions, with the exception of the composting system located in Faltona in the Municipality of Borgo San Lorenzo, which has a first level mortgage in the amount of € 17.7 million in favour of MPS Capital Services SpA, guaranteeing the loan of € 8,850,000 granted by the Bank to finance the entire investment. As of the date this document was prepared, the loan had been repaid and the procedure for the satisfaction of the mortgage was in progress.

In 2023 the company continued its investments in SAP billing systems (SAP BILLING), begun in 2021, for a total of € 4,306,884 and in SAP for integrated waste management (SAP WASTE) for a total of € 3,225,659. The investment made to introduce the Salesforce Service system was also significant, totalling € 2,509,145. In addition to these systems, during 2023 the implementation of a Control Room to manage services throughout the area also began.

During 2023, two projects were begun to construct a plant to collect textile waste (Textile Hub) in the municipality of Prato and a plant to collect electronic waste (RAEE) in the municipality of Florence, near the former San Donnino incinerator. A request to access financing through a contribution from the National Recovery and Resilience Plan (NRRP) was submitted for these two plants. The two requests were approved by the Ministry of Environment and Energy Security (MASE) and the grant was obtained (MASE Decrees 60 and 61 of 31/01/2023).

Also, during 2023 the company made investments to create a new anaerobic digestion section at the Casa Sartori Hub for € 27,178,000, as well as carrying out a technological update at the Mechanical Biological Treatment plant (hereafter, also "MBT") in Case Passerini, for around € 4,230,400.
Capping at the Casa Sartori landfill was completed for a total of around € 2,608,000.
In 2023, the updating work at the Case Passerini plant continued, for around € 1,034,000, and a new processing line was installed at the Paronese plant (Prato) for € 1,611,100.
Works at the new Sibile/Calastrini location were completed for a total of € 1,830,800 and works for the collection centre in Pian di Meleto are in progress, for a total of € 754,000, and for the collection centre in Prato, near the Paronese location, for € 452,700.

Concession rights - Gas

Gas concession rights relate to networks, plants, connections and other assets pertinent to natural gas distribution recognised according to the "intangible assets method" provided for in IFRIC 12 for existing concession relationships with the granting entities.
The natural gas distribution service is assigned on the basis of open public tenders, which do not refer to individual Municipalities, but rather to Minimum Territorial Areas (MTAs). Municipalities cannot therefore independently assign the service on the basis of individual tenders.
However, before the adoption of Italian Legislative Decree no. 164/2000 (the so-called Letta Decree), the gas distribution service was assigned directly by individual Municipalities. Furthermore, after the adoption of Legislative Decree 164/2000 and up until the issuing of the relevant implementation decrees, the natural gas distribution service was assigned on the basis of open public tenders by individual Municipalities. Therefore, as of today's date, the Group still has some concessions assigned directly or by public tender by individual Municipalities.
In the event of the concessions' expiring, the term of the concession is deemed extended up until a new tender is announced. During this extension period, the relationship between the granting party and concession holder continues, and consequently, the latter is still obliged to manage the service, limited to the ordinary administration, up until the new assignment takes effect. Furthermore, the outgoing operator fulfils all the obligations arising from the concession, including the payment of the concession fee payable to the granting entity.
In the event that the Group does not succeed in being awarded new tenders to supply services that are continuing on an extension basis, at the time of taking over, the new operator shall pay the Group as the outgoing operator, for the transfer of the distribution networks from the outgoing operator to the new concession holder. This amount is determined according to the provisions in the concession contract. Without any specific provision (or without certain elements), the contract provisions are supplemented by the guidelines under Ministerial Decree 226/11.
With regard to the above, the technical assessment showed a Residual Industrial Value (RIV) for the networks, plants, connections and other assets pertinent to gas distribution and recorded under "Assets under concession" that was considerably higher than the carrying value in the consolidated financial statements.

14.3.1. Impairment tests pursuant to IAS 36 on the value of concession rights

On the basis of the analyses carried out on the recoverability of the value of the assets under concession related to natural gas distribution and the environment recognised according to the "intangible asset method" provided for in IFRIC 12, indicators of permanent impairment emerged in relation to:

- electronic meters used for the natural gas distribution and metering service. In particular, the analysis looked at the electronic meters that, at the closing date of the financial year, were malfunctioning or deemed at greater risk of defects (anomalies in the transmission of the remote reading, in the quality of the remote reading transmitted, shutdown of the display). The analysis considered:
  - the net book value of the meters;
  - the year of manufacture;
  - the year of installation;
  - the possibility to carry out effective maintenance (such as change of modem battery, SIM change, reconfiguration of the meter communication parameters);
  - the year of expected replacement, prior to the end of their useful life;
  - the possibility to recognise foregone amortisation in the tariff in case of disposal on the basis of the current Tariff Regulation (Resolution 29 December 2022 737/2022/R/GAS of ARERA and Decision 11 October 2023 1/2023 – DINE).

  On completion of this analysis, the net book value of the meters was aligned with their recoverable value through a write-down of € 2,205 thousand.

- electronics to track waste deposited, damaged or obsolete for which removal has already occurred or is in progress as of the reporting date. In relation to these activities, impairment of € 2,072 thousand was recognised.

14.4. Rights of Use

This item saw the following changes during the year:

	Land and Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	TOTAL RIGHTS OF USE
Amounts at 31/12/2022					
Gross value	1,974,008	8,199,770	3,835,055	1,027,467	15,036,300
Accumulated depreciation	-650,577	-1,359,509	-2,076,904	-344,370	-4,431,360
Net balance	**1,323,431**	**6,840,261**	**1,758,151**	**683,096**	10,604,939
Net changes during the year					
Reclassification, gross value	-5,862,489	-260,450	-3,835,055	3,835,055	-6,122,939
Changes from acquisitions	1,834,408	568,694	-	2,368,033	4,771,135
Change in scope of consolidation - Gross Value	26,926,801	775,821	244,629	4,631,204	32,578,454
Decreases	-535,573	-	-	-1,934,255	-2,469,828
Depreciation	-1,718,383	-884,008	-40,771	-1,367,621	-4,499,324
Reclassification of accumulated depreciation	1,465,622	133,055	2,076,904	-2,076,904	2,087,218
Disposal of accumulated depreciation	521,617	-	-	1,894,499	2,416,116
Change in scope of consolidation – Accumulated depreciation	-8,716,753	-242,057	-203,857	-2,701,449	-11,864,116
Other changes	1	-203,399	-	0	-203,398
Amounts at 31/12/2023					
Gross value	24,745,004	8,995,645	-	10,274,797	44,015,447
Accumulated depreciation	-9,506,322	-2,267,729	-	-4,943,139	-16,717,190
Net balance	**15,238,682**	**6,727,916**	**-**	**5,331,659**	**27,298,256**

The increase in the item is mainly linked to the line-by-line consolidation of Estra and, in particular, the acquisition of the following leased or rented assets, recognised in line with IFRS 16:

- two photovoltaic systems located in Cavriglia (AR), managed on the basis of a concession relationship entered into with the Municipality of Cavriglia, accounted for as a sale and leaseback transaction for € 20,536 thousand. Under the terms of the concession, after construction of the plant and the transfer of ownership to the Municipality, the Group did not lose control over it. It is therefore recognised as a tangible asset at the construction cost plus the dismantling costs and depreciation along the term of the concession. The value of the tangible asset also includes the current value for the future concession expenses recorded as indirect construction costs, and where a balancing entry was made for a financial liability;
- properties leased by Coingas SpA and Intesa SpA, minority interests in Estra, for the corporate offices in Siena and Arezzo for € 2,219 thousand
- the properties occupied by the subsidiaries Ecos S.r.l. and Bisenzio Ambiente S.r.l. based on contracts, for the respective amounts of € 3,055 thousand and € 2,700 thousand.

In addition to the above, rights of use mainly refer to vehicles and equipment for collection, company cars and IT equipment.

14.5. Other Intangible Fixed Assets

This item saw the following changes during the year:

	Start-up and expansion costs	Industrial patent rights	Development costs	Concessions, trademarks and similar rights	Other	Customer listings	Fixed assets under development	TOTAL OTHER INTANGIBLE FIXED ASSETS
Amounts at 31/12/2022								
Gross value			212,503	1,317,728	2,106,418		252,644	3,951,994
Accumulated amortisation			-184,818	-770,346	-2,106,418			-3,124,284
Net balance	**-**	**-**	**27,684**	**547,382**	**-**	**-**	**252,644**	827,710
Net changes during the year								
Reclassification, gross value	-	-45,363	-	21,000	-683,319	-	-	-707,682
Change in scope of consolidation - Gross Value	-	62,736,176	-	1,397,699	79,142,765	231,725,738	1,878,258	376,880,635
Contributions from Mergers - Gross Value	145,398	-	1,098,812	133,811	4,254,350	-	-	5,632,371
Changes from acquisitions	-	1,629,926	299,663	52,145	10,055,124	-	433,808	12,470,665
Decreases	-	-31,553	-	-	1,418	-	-283,491	-313,625
Amortisation	-	-2,792,624	-18,157	-211,414	-7,031,408	-7,320,756	-	-17,374,359
Reclassification accumulated amortisation	-	-	-	-	683,319	-	-	683,319
Change in scope of consolidation - Accumulated amortisation	-	-52,041,952	-	-910,545	-54,083,637	-52,854,720	-	-159,890,854
Contributions from Mergers - Accumulated amortisation	-145,398	-	-1,098,812	-126,180	-4,249,114	-	-	-5,619,504
Other changes	-	-48,443	-	48,442	0		-	-1
Amounts at 31/12/2023								
Gross value	145,398	9,495,155	1,610,978	2,892,886	25,487,398	232,986,463	2,281,219	274,899,497
Accumulated amortisation	-145,398	-88,988	-1,301,788	-1,940,545	2,602,099	-61,436,201		-62,310,821
Net balance	**0**	**9,406,167**	**309,189**	**952,341**	**28,089,498**	**171,550,262**	**2,281,219**	**212,588,676**

The increase in the item is mainly linked to the line-by-line consolidation of Estra and, in particular, the acquisition of:

- Customer lists for € 178,871 thousand, relative to the purchase price allocation measurement of customer lists acquired. The item is amortised over the amortisation period corresponding to the expected useful life for the customer lists, which is reassessed at the end of each financial period in relation to the historic and forecast losses of customers (so-called "Churn Rate").
- Other intangible assets for € 25,059 thousand, mainly relative to customer acquisition costs (contract costs) incurred by the Group's commercial companies in the natural gas and electricity sales sector, amortised over 5 years at descending rates. Amortisation for this item was also restated at least at the end of each period in relation to the Churn Rate.

The Group checks annually whether there are any impairment indicators; specifically, for the customer listings and contract costs, this refers to checking the annual churn rate recorded for each gas and electricity sales company. The churn rate, also referred to as the drop-out or defection rate, is an indicator used to measure the loss of customers over a specific time period, and represents the percentage of customers that left the service (switch out) compared to the total number of customers using the service.

14.6. Goodwill

In applying the provisions of IAS 36 "Impairment of Assets", goodwill recognised in the financial statements based on business combination operations is allocated to individual CGUs or groups of CGUs, in that they are expected to benefit from the combination. A CGU represents the smallest group of assets that generates cash flows that are largely independent.

In the process to identify the CGUs, management has taken into account the specific nature of the asset and business it belongs to (territorial area, business area, reference regulations, etc.), checking that the cash flows deriving from a group of assets is strictly independent and autonomous from those deriving from other assets (or groups of assets).

The assets included in each CGU were also identified on the basis of the procedures management uses to manage and monitor them in the scope of the business model adopted. More specifically, the following CGUs were identified:

* Environment CGU
* Gas and Electricity Sales CGU
* Centria Regulated Market CGU
* Gergas Regulated Market CGU
* Murgia Regulated Market CGU
* Edma Reti Gas Regulated Market CGU

In addition, other CGUs were identified that overlap with individual companies falling in the scope of IFRS 8 as "Other SBUs", as specified in Note 8 "Business Segments".

The item shows an increase from € 250 thousand to € 67,623 thousand following the line-by-line consolidation of Estra, which led to the recognition of goodwill in the gas and energy sales CGU of € 60,194 thousand, in the Regulated Market CGU for € 1,369 thousand, in the Ecos CGU for € 4,240 thousand and in the Ecolat CGU for € 1,820 thousand, as shown below:

Carrying value of goodwill allocated to each cash generating unit:

Environment		Gas and electricity sales		Regulated Market		Other (Ecos)		Other (Ecolat)		Total	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
250	250	60,194		1,369		4,240		1,820		67,623	250

The group monitors the recoverability of the assets on the basis of approved plans that take into consideration the synergies and strategies at the CGU level.

Gas and electricity sales

The recoverable value for the Gas and electricity sales cash generating unit was determined on the basis of the value in use calculation, where cash flow projections were used for the CGU, based on the most recent business plans available at the measurement date and approved by Company Management.
The Group conducted its own impairment test at 31 December 2023 and 2022. The impairment test at 31 December 2023 was prepared on the basis of the latest business plan approved for the period 2024-2028. The discount rate applied to the cash flow projections, net of tax, is 7.39%. Cash flows were extrapolated using a growth rate of 0. On completion of these analyses, the directors did not detect any impairment to be attributed to the net assets of the Gas and electricity sales unit, including goodwill of € 28,067 thousand.
Key assumptions used in calculating the value in use and sensitivity to changes in assumptions
The value in use for the Gas and electricity sales CGU was especially sensitive to the following factors:

- gross margin;
- market share during the forecast period;
- discount rates.

Gross margin – The gross margin was based on the previous year's figures, assuming marginal increases related to increased efficiency. The increase in the costs of raw materials beforehand or not achieving the efficiency targets could result in a decreased margin compared to what is envisaged in the plan. The margins could also be impacted by failure to achieve the envisaged customer base following the increase in the churn rate.
Market share assumptions - Management expects the market share in Gas and electricity sales to grow over the Plan's time frame, thanks also to the commercial investments envisaged for maintenance and the acquisition of new customers. Management recognises that it is possible that new players will enter the market and/or increased competition in the sector could impact significantly on the growth rate.
Discount rates – Discount rates reflect the specific market risk assessment for each cash flow generating unit, taking into consideration the value of money over time and the specific risks of the underlying activities, which were not already included in the cash flow estimates themselves. The calculation of the discount rate is based on the Group's specific circumstances and its business segments, resulted from weighted average capital cost (WACC). The WACC takes into account both debt and equity. The cost of equity derives from the expected yield rate on investments. The cost of debt is based on the onerous funding that the Group has undertaken. The specific sector risk is incorporated, by applying specific beta factors. The beta factors are checked annually, based on available market information. The discount rates are adjusted to take into account quantities and specific time frames of future tax flows, so as to reflect an after-tax discount rate.
The sensitivity analysis that was developed focused on the margins of the CGU, assuming a 5% decrease, resulting in a reduction in cash flows developed in the next and subsequent years, and an increase of 0.5% WACC.
The amounts obtained on this basis were also higher to those for the CGU, and therefore the analysis further confirmed the Gas and electricity sales CGU recorded value.

Regulated Market - Gergas
Goodwill results from the acquisition of Gergas, a company operating in gas distribution in Grosseto and Campagnatico.
Goodwill is negligible when compared with the comprehensive carrying value for the assets allocated to the Gergas Regulated Market unit. Nonetheless, given the uncertainties that still exist regarding the timing to announce and conduct tenders to renew gas distribution concessions/assignments, the directors decided to subject the goodwill to impairment testing, by comparing the carrying value for the gas distribution assets with the fair value net of sales costs (RIV).
To this end, an independent expert was appointed to estimate the Residual Industrial Value (RIV), which is the reference value for determining the right to compensation/reimbursements relating to networks, where the Group could lose the entirety of its concessions, following the tenders that will be announced to assign the concessions.
The recoverable value determined is higher than the asset's carrying value, by also applying reasonable sensitivity factors bringing down the Industrial Value. To complete the analysis, the directors did not record an impairment for carrying value recorded for the net assets in the Gergas Regulated Market unit, including goodwill for € 1,369 thousand.

Other - Ecolat waste management
Goodwill originates from the acquisition of Ecolat S.r.l., the company operating primarily in the mechanical selection of mixed-material packaging coming from the separate collections of the Optimal Areas Tuscany South, Centre and Coast and the recognition, on a residual basis in relation to the fair value of the identifiable assets, of the company's ability to produce future income from the business related to the selection plant and those not related such as intermediation, treatment of packaging and other waste from private entities.
The CGU recoverable value was determined on the basis of the value in use calculation, using cash flow projections of the relevant business sectors, based on the most recent business plan available at the measurement date (2023-2033) and approved by Company Management in April 2023. The approved plan assumes the achievement of a decade-long extension of the current expiry of the environmental authorisation (2031). The discount rate applied to the cash flow projections, net of tax, is 7.91 %.
On completion of these analyses, the directors did not find any impairment that would need to be attributed to goodwill.
The calculation of the value in use is particularly sensitive to the following factors:

- volumes of waste treated and the relative margins;
- discount rates.

The Group conducted a sensitivity analysis of the aforementioned relevant assumptions used to determine the recoverable value (variances +/- 0.5% of WACC and 5% reduction of future cash flows on the assumption of lower business volumes or reduced margins), the results of which show, albeit with reasonable variances in the key assumptions, there is not a surplus carrying amount on the recoverable value.

Other - Ecos waste management

The goodwill refers to the acquisition of Ecos S.r.l., the company owning a waste storage site, operating on the domestic market in the management of special, hazardous and non-hazardous waste, on a residual basis in relation to the fair value of identifiable assets, the company's ability to produce future income from its business and relates mainly to expected growth and cost synergies.

The CGU recoverable value was determined on the basis of the value in use calculation, using cash flow projections from the last available business plan approved by Company Management (2023-2033), which envisage a progressive growth in volumes treated and consequent margins compared to the current year. The approved plan assumes the achievement of a decade-long extension of the current expiry of the environmental authorisation (2031). The discount rate applied to the cash flow projections, net of tax, is 7.91 %.

On completion of these analyses, the directors did not find any impairment that would need to be attributed to goodwill.

The calculation of the value in use is particularly sensitive to the following factors:

- growth rate in the volumes of waste treated and the relative margins;
- discount rates.

The Group then conducted a sensitivity analysis of the aforementioned relevant assumptions used to determine the recoverable value (variances +/- 0.5% of WACC and 5% reduction of future cash flows on the assumption of lower business volumes or reduced margins), the results of which would show a surplus carrying amount on the recoverable value between € 500 thousand and € 600 thousand.

14.7. Equity investments

The value of equity investments totals € 334,349,843, of which € 228,916,147 in jointly controlled companies, and € 323,844,962 in associated companies, while non-qualified equity investments totalled € 10,504,881, as reported below.

Equity investments (amounts in euros)	Balance at 31 December 2022	Reclassifications	Merger contributions	Change in the scope of consolidation	Increases/(Decreases)	Revaluation/(write-down)	Dividends approved	Other changes	Balance at 31 December 2023
Real S.r.l.	2,835,617					286,905	(501,000)		**2,621,522**
Al.Be. S.r.l.	10,534,341				17,500,000	(104,759)			**27,929,582**
Publiacqua S.p.a		13,218,382	179,024,000			10,646,174	(4,604,051)		**198,284,505**
Nuova Sirio S.r.l.				80,872				-333.15	**80,539**
Equity investments in joint ventures	**13,369,958**	**13,218,382**	**179,024,000**	**80,872**	**17,500,000**	**10,828,320**	**(5,105,051)**	**(333)**	**228,916,147**
Irmel S.r.l.	461,649					62,837			**524,486**
Vetro Revet S.r.l.	782,256					295,562			**1,077,818**
Bisenzio Ambiente S.R.L.			2,332,170			(186,081)		(2,146,089)	**-**
Toscana Energia S.p.a	167,274,071		84,078,000			8,761,668	(8,069,659)		**252,044,081**
Valdisieve Scarl	298,510					(2,091)			**296,419**
Sea Risorse S.p.a	507,258					7,086			**514,345**
Estra S.p.a.			239,394,240			3,342,282	(4,357,181)	(238,379,341)	**-**
Acque S.p.a			41,902,700			7,760,215	(965,294)		**48,697,621**
Acque2o S.p.a			18,968			(12,746)			**6,222**
Blugas Infrastrutture S.r.l.				7,145,178		(2,195,427)		248	**4,950,000**
AES Fano				648,646		185,089			**833,735**
SIG S.r.l				3,134,842		26,164			**3,161,006**
Sei Toscana S.r.l.				11,722,660		16,570			**11,739,231**

Equity investments (amounts in euros)	Balance at 31 December 2022	Reclassifications	Merger contributions	Change in the scope of consolidation	Increases/(Decreases)	Revaluation/(write-down)	Dividends approved	Other changes	Balance at 31 December 2023
Equity investments in associates	**169,323,745**	**-**	**367,726,078**	**22,651,327**	**-**	**18,096,739**	**(13,392,134)**	**(240,560,793)**	**323,844,962**
Scapigliato Srl	8,500,269								**8,500,269**
Le Soluzioni Scarl	87,804								**87,804**
Gida Spa			1,097,562						**1,097,562**
Publiacqua S.p.a	13,218,382	(13,218,382)							**-**
C.R.C.M. Srl				312,274					**312,274**
AISA S.p.A.				11,020					**11,020**
Casole Energia S.r.l.				128,621					**128,621**
Other companies	117,239		203,773	29,202	(14,530)	31,646			**367,331**
Equity investments in other companies	**21,923,695**	**(13,218,382)**	**1,301,335**	**481,117**	**(14,530)**	**31,646**	**-**	**-**	**10,504,881**
Total equity investments, Associates and Equity investments in other companies	**191,247,440**	**(13,218,382)**	**369,027,413**	**23,132,444**	**(14,530)**	**18,128,385**	**(13,392,134)**	**(240,560,793)**	**334,349,843**

The changes in the year refer mainly to:

- Reclassification of the equity investment in Publiacqua from equity investments in other companies to equity investments in jointly controlled companies, following the increase in the stake held by Alia following the merger by incorporation of Acque Toscane, which brought it from 3.95% at 31 December 2022 to 57.55% at 31 December 2023 and the expiration of the previously existing shareholders' agreement with the shareholder Acque Blu Fiorentine;

- Contributions of equity investments in associates or jointly controlled companies totalling € 546,750,078 deriving from the merger by incorporation of Consiag (39.5% Estra SpA and 25% of Bisenzio Ambiente Srl), Acque Toscane (53.2% of Publiacqua SpA) and Publiservizi (19.3% of Acque SpA, 10.4% of Toscana Energie SpA, 0.4% of Publiacqua SpA and 37.94% of Acque2o SpA), as well as non-qualified equity investments in other companies for € 1,301,335;

- Increases due to the change in the scope of consolidation following the line-by-line consolidation of Estra and AER;

- Increase in the equity investment in Al.Be following the capital payment of € 17,500,000 during the year;

- Net writebacks totalling € 18,174,835, deriving for € 14,859,960 from the Group's portion of profit (loss) for the period in line with the equity method and, as an extraordinary component, for € 3,314,875 for the profit deriving from the synthetic PPA carried out at the time the equity investment in Acque SpA was acquired, linked to the merger by incorporation of Publiservizi. In application of the equity method, the percentage of profit (loss) for the investee was adjusted to take into account any fair value adjustments made to the company's assets or liabilities at the time of acquisition. The value of the investment in Toscana Energie includes implicit goodwill, not subject to amortisation, for which recoverability was verified using the discount cash flow method based on the most recently approved plan.

- Decreases due to dividends distributed by investees during the year for € 13,392,134;

- Other negative changes of € 240,607,242 for the elimination of the equity investments in Estra SpA and Bisenzio Ambiente Srl due to acquisition of control and the consequent line-by -line consolidation.

Note that following the merger by incorporation of Publiservizi, through which Alia acquired, among other things, 19.86% of Acque SpA and 10.38% of Toscana Energia S.p.A., Alia granted an option to acquire these equity investments at a pre-established price to the former shareholders of Publiservizi S.p.A., to be exercised by 30 April 2024, and which must be settled either i) in cash or ii) with the Alia shares acquired following the merger, at the discretion of the said shareholders. Recognition of this option led to the recognition of a payable, recognised under other current liabilities with a balancing equity reserve, which will be reversed in the case in which the option is not exercised. This is deemed probable as of the date these financial statements. This would also be reserved if the option was settled in cash.

With reference to the equity investment in Toscana Energia S.p.A., also note that in the context of the business combination process begun the previous year with the transfer on 30 December 2022 by the Municipality of Florence of the 20.61% equity investment in the associated company, recognised on 31 December 2022 for € 167,274,071, Alia granted a purchase option to Italgas which can be exercised from 1 January 2025 to 31 March 2025. The price to purchase the shares associated with the options will be equal to their fair market value, which will be determined by an independent expert, as agreed by the parties. The fair market value if and when the option is executed will be calculated using a measurement in line with best international practices for a regulated natural gas distribution company (i.e. the RAB method) and subject to adjustment based on the net financial position of Toscana Energia as of the date the option is exercised. In the absence of a pre-established option price, the fair value of the option is the result of a complex assessment based on variables which serve as the basis for determining the fair value of the option itself and, in particular the future operating scenario deemed most probable by management, in line with updated planning assumptions, adopting the planned changes to the contract conditions between the parties and discounting, when applicable, the corresponding cash flows at a suitable discount rate. With the support of external consultants to determine the possible price at which the option would be exercised and the relative fair value, the directors have determined that no liability should be recognised in these financial statements.

No indicators of permanent impairment were identified for any equity investments, and consequently no specific impairment tests were conducted, with the exception of the indirect stake in Blugas Infrastrutture S.r.l. held through Estra.

The investee operates in the natural gas storage sector and, in particular, is holder of:

1. a 10% co-interest in the project for the construction and operation of the storage plant located in San Potito and Cotignola, Ravenna province, with the partner Edison Stoccaggio at 90%, as a result of a special concession ("San Potito and Cotignola Storage") awarded by the Italian Ministry for Economic Development with the Italian Ministerial Decree of 24/04/2009.
   The relation with Edison is governed by a JV agreement, prepared according to industry standards.
   Blugas is required to make a pro-rata contribution to the operating, maintenance and capex costs, and has the right to be granted pro-rata revenues.

2. an ownership interest of 70 million cubic metres of natural gas to be extracted from the Abbadesse field, deriving from original research agreements between Blugas and a Canadian research partner. Through various company matters, the current contractual counterparty is Aleanna Italia S.r.l., which holds 33% of the concession (350 million cubic metres). The operator of the concession is an investee GasPlus which holds the remaining 66%. The drilling activities for the commercial development of the field began in late 2021 and are in the completion phase, the launch of production is expected in 2025 following testing.

With regard to the San Potito and Cotignola Storage project, it should be noted that, following the discovery of a more complex geological situation than expected, Edison Stoccaggio had to significantly revise the originally approved project with a consequent reduction in storage capacity estimates.

With this changed scenario, AEEGSI (now ARERA) with resolution 66/2016 dated 25 February 2016 redetermined the tariffs using a penalising mechanism that was questionably lawful, to reduce the revenue from the site capex from 100% to 71.6% (calculated according to the investment realised/ space performance achieved ratio), which will be applied each year up until the site regulation is completed, at the same time, requiring a partial adjustment for the lower revenue received, in relation to the space performance that the fully operational concession will guarantee.

The co-holder Edison Stoccaggio strongly objected to the Authority's argument, undertaking the relevant legal action, which resulted in the reasons for the objection being accepted by the Council of State in June 2021. In accordance with the Council of State judgment, ARERA issued Resolution 513/2021, reassessing the calculation methods for the curtailment of revenue factor applied, and reformulated the value, with an increase from 71.6% to 73.6%. The co-holder Edison Stoccaggio has proposed a new appeal against Resolution 513/2021, because it believes that the latter does not adequately execute the Council of State decision. The new proceedings had not yet been initiated at the reporting date of these financial statements.

The company believes the arguments underlying the appeal are valid.

In relation to the Abbadesse extracting right, a dispute was raised by the current contractual counterparty (Aleanna S.r.l.) which invoked the invalidity and/or excessive cost of the agreement. The company, supported by its lawyers, believes the allegations of the counterparty to be unfounded. Given the current situation, the recognition and the exercise of the right could require a dispute to be initiated through an arbitration procedure.
The Estra Board of Directors, having assessed the poor consistency of the investment with the current strategic guidelines, expressed a favourable opinion of the start of discussions and preparatory activities for a possible earlier disposal of the assets or the company's shares, granting a specific mandate, jointly with the other shareholders, to a financial advisor and a legal advisor.
In the current consolidated financial statements, on the basis of the information available to date, the value of the investment was written down by € 2,469 thousand, assuming as the best estimate of the fair value less cost to sell a value approximate to the share of net equity at 31 December 2023.

14.8. Non-current financial assets

Below are the following non-current financial assets:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Receivables from associates	4,642,566		4,642,566
Receivables from joint ventures	230,000		230,000
Other non-current financial receivables	6,785,712		6,785,712
Guarantee deposits	1,188,951	1,241,075	-52,124
Non-current securities	9,667,579		9,667,579
TOTAL	**22,514,809**	**1,241,075**	**21,273,734**

The item "Other non-current financial receivables" mainly refers to the amount paid at the time of being awarded the gas distribution contract for the Municipality of Rieti, and which will be repaid, on the basis of the conditions envisaged by the concession contract, once the assignment ends, and all plants, networks and other distribution service installations are delivered to the replacement operator (€ 5,000 thousand).

The item "Non-current securities" refers for € 9,566 thousand to asset management and insurance products associated with the merger by incorporation of Consiag.

14.9. Deferred tax assets and liabilities

Deferred tax assets are generated by temporary differences between financial statement profit and taxable amounts, mainly in relation to the provision for write-downs, provisions for risks and charges, for statutory depreciation higher than that recognised for fiscal purposes, previous losses and provisions for employee benefits.

Tax losses will be recovered through taxable profits the Group generates during the concession period, as can be assumed, with reference to the parent company, based on the most recent multi-year plan (2024-2028) approved by the Company's Board of Directors in December 2023.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets with the corresponding current tax liabilities.

Deferred tax assets

(amounts in thousands of euros)	Balance at 31 December 2022	Merger contribution	Change in the scope of consolidation	Reversals /Uses	Allocations	Other changes	Balance at 31 December 2023
Amortisation/ depreciation			12,896	-251	979		13,624

(amounts in thousands of euros)	Balance at 31 December 2022	Merger contribution	Change in the scope of consolidation	Reversals /Uses	Allocations	Other changes	Balance at 31 December 2023
Risk provisions	710	499	1,098	-828	1,220		2,698
Provision for write-downs	4,063	33	15,658	-66	1,812	35	21,536
Contributions received on connections			3,064	-57			3,008
Write-down of fixed assets		2,262	884	-538	1,368		3,976
Lease accounting			531	9	35		574
Reversal intangible assets			209	-5			204
Other			3,922	-1,459	1,386	24	3,873
Higher tax value goodwill			3,523	-15	11		3,518
Higher tax value assets under concession			29,504	-833			28,671
TFR (Employee severance indemnity)	274				448		722
Losses, previous years	1,270	2,145		-45			3,370
Fixed assets	725				8		733
Productivity	1,032			-1,032	1,265		1,265
Landfills	2,359			-155	492		2,696
Fideuram Policies, Write-downs		90		-80			11
Provision for maintenance risks	216			-63	72		226
Write-down of loan receivables	29				10		38
Total	**10,679**	**5,029**	**71,289**	**-5,416**	**9,104**	**60**	**90,744**

Deferred tax liabilities

(amounts in thousands of euros)	Balance at 31 December 2022	Change in the scope of consolidation	Reversals /Uses	Allocations	Other changes	Balance at 31 December 2023
Dividends not collected		31	-8	-14		9
Amortised cost bond loans			-9			-9
Capital gains on assets under concession		11,627	-39	-240		11,348
Capital gains on intangible assets		45,793	-846	-933		44,014
Capital gains on property, plant and equipment		4,435	-246			4,189
Other		339	-19	132	26	479
Derivatives on commodities fair value		739			-642	97
Fixed assets	3,392		-2311			1,081
Case Passerini Landfill	1,208			451		1,659
Deferred tax liabilities	**4,600**	**62,965**	**-3478**	**-604**	**-616**	**62,867**

Note that in the financial statement schedule, deferred tax assets are shown net of deferred tax liabilities recognised in the parent company's financial statements, equal to € 2,739 thousand.

14.10. Non-Current derivative financial instrument assets

The item refers to the positive fair value of the following IRS derivative instruments:

Company	Notional	Underlying	Start	Maturity
Estra SpA	375,405	Medium/long term loan	31/05/2007	28/06/2024
Estra SpA	12,298,311	Medium/long term loan	30/06/2020	30/06/2025

14.11. Non-Current Trade Receivables

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Receivables from customers, non-current	552,091	2,733,178	-2,181,086
TOTAL	**552,091**	**2,733,178**	**-2,181,086**

The item includes trade receivables which come due after 12 months, based on payment plans agreed on with the counterparties.

14.12. Non-Current Assets from Contracts with Customers

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Receivables from assets from contracts with customers	25,450,943	19,120,747	6,330,196
TOTAL	**25,450,943**	**19,120,747**	**6,330,196**

The item, equal to € 25,450,943 (€ 19,120,747 at 31 December 2022), includes the amount due from customers in relation, respectively, to the AMM tariff component. 2023.

Also see that indicated under the note "Revenues".

14.13. Other non-current assets

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
IRAP credit (ACE)	25,009	75,031	-50,022
Prepaid expenses	1,840,314	1,326,323	513,991
Non-current tax credits	461,433	1,077,112	-615,679
Others	2,524,608	323,049	2,201,559
TOTAL	**4,851,363**	**2,801,515**	**2,049,848**

The amount of € 25 thousand refers to the transformation of ACE excess into a tax credit that can be offset. Prepaid expenses mainly refer to sureties.

The item non-current tax credits includes € 376,432 for the tax credit recognised by the subsidiary Revet SpA for investments in property, plant and equipment functional to the technological and digital transformation of companies based on the Industry 4.0 model.

14.14. Inventories

Below is a schedule showing the changes in inventories:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Raw and ancillary materials, consumables	20,454,366	4,246,291	16,208,075
Products in progress and semi-finished products	7,498	13,421	-5,923
Finished products and goods	260,368	648,681	-388,314
TOTAL	**20,722,231**	**4,908,393**	**15,813,838**

Inventories primarily comprise:

- spare parts for the maintenance and operation of gas distribution plants for € 5,351 thousand at 31 December 2023 (€ 6,438 thousand at 31 December 2022), recorded at cost of acquisition or manufacture, including ancillary costs, which was lower than the market value;
- stored gas intended for supplies to final customers, measured at the lower value between the purchase cost including ancillary charges, and the estimated realisable value from the market trend for € 10,908 thousand (€ 34,294 thousand at 31 December 2022).
- Spare parts and equipment for maintenance and operation of waste management plants for € 4,091 thousand (€ 4,908 thousand at 31 December 2022).

14.15. Trade receivables

Below is a schedule showing the breakdown of trade receivables:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Receivables from customers	645,724,449	151,153,246	494,571,202
Provision for write-downs	-104,756,955	-18,605,048	-86,151,907
TOTAL	**540,967,493**	**132,548,198**	**408,419,295**

The balance for trade receivables, € 645,742 thousand, mainly refers to:
- receivables from the parent company for € 130,414 thousand, mainly receivables for invoices issued to municipalities for environmental services and receivables from users for TARIC invoices;
- receivables from customers for natural gas supplied for € 261,300 thousand. The balance includes the amount allocated for invoices to be issued accruing during the current year and in previous years for € 166,553 thousand.

Below are the changes in the provision for write-downs:

Description	31/12/2022	Change in the scope of consolidation	Increases	Uses	31/12/2023
Provision for write-downs	18,605,048	77,194,597	11,011,276	2,053,966	104,756,955

Information on the age of receivables is found in the section "Credit risk".

The provision for write-downs saw a significant increase during the year, mainly due to:

- the line by line consolidation of Estra (an increase of € 71,470 thousand on the date control was acquired, and uses and provisioning in the second half of 2023 respectively for € 1,892 thousand and € 5,944 thousand);
- provisioning due to the start of the TARIC in the Municipalities adhering to ATS-1, transferring from a tax-type amount to a tariff-type amount, leading to creditor positions with respect to end users (€ 4,469 thousand).

The provision for write-downs deriving from consolidation of Estra mainly refers to receivables from customers for sales of natural gas and electricity. The calculation method adopted calls for provisions for write-downs to be analysed based on different risk profiles, determined in terms of creditor category and the stratification of prior credit. At each overdue level, based on the category, write-down percentages are applied that are calculated on a historic basis and subdivided according to credit ageing time brackets and customer clusters. Receivable positions of the most significant amounts are analysed and, if appropriate, specifically written down.

With reference to provisioning for receivables from users for TARIC, in the absence of historic data, the estimate of the recoverability of the amount of receivables recognised was the result of a measurement exercise carried out by management based on statistical data provided by third-party suppliers. As 2023 was the first financial year of integrated urban waste management with the TARIC fee in some of the municipalities served, the writedown percentages were determined using historical analysis of the insolvency rate seen from 2019-2020 with reference to a significant sample of TARIC customers nationally, broken down into domestic and business customers, and applied to receivables for invoices issued and to be issued as at the reporting date.

For more details on the methods used to determine the provision for write-downs, please see "Significant accounting estimates".

14.16. Current financial assets

The item, equal to € 5,697 thousand, mainly refers to asset management products deriving from the merger by incorporation of Consiag for € 4,109 thousand, which were in the process of being disposed of as of the reporting date.

14.17. Current tax assets

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
IRES tax advances	1,003,037	405,824	597,213
IRAP tax advances	1,115,160	125,175	989,985
Tax withholdings incurred	60,191	29,666	30,525
IRES tax credits	7,762,139		7,762,139
IRAP tax credits	430,035		430,035
TOTAL	**10,370,563**	**560,666**	**9,809,896**

The balance at 31 December 2023, equal to € 10,370,563 thousand, mainly consists of IRES and IRAP advances for amounts in excess of the amount due calculated at the end of the year.

14.18. Other current assets

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
VAT advance	7,550,046	-	7,550,046
VAT reimbursement	-	418	-418
Other receivables	60,101,894	6,491,443	53,610,451
Accrued income	21,878	1,881	19,997
Prepaid expenses	6,558,212	3,012,286	3,545,926
Tax withholdings incurred	1,170,007	27	1,169,980
Methane tax advance	11,765,442	-	11,765,442
Receivables from the Energy Authority and GSE	34,997,372	-	34,997,372
UTIF	36,224,471	-	36,224,471
TOTAL	**158,389,322**	**9,506,055**	**148,883,268**

The balance of € 158,389,322 at 31 December 2023 refers to other receivables for € 60,101,894, of which note € 4,169 thousand relative to dividends for 2022 yet to be paid by Real, Toscana Energia Spa and Acque Spa. This also includes the receivable due from the Tuscany Region for € 10,273 thousand for expenses incurred to remove and dispose waste Alia was charged with under ordinance no. 101 of 18 November 2023, issued by the President of the Tuscany Region following the floods on 2-3 November 2023 in certain municipalities in the Provinces of Florence, Prato and Pistoia.
The item other receivables also includes receivables due from Medenergy, which went bankrupt in 2013 and from Discal for € 1,761,000.00, relative to the sale of the Olt Energy equity investment by Consiag Spa on 06/09/2009 and € 92,157.00 from Credigest, relative to which legal disputes are in progress to collect the sums. The amount of these receivables is entirely covered by a specific provision for write-downs for sundry receivables.

The item "Receivables from the Energy Authority" regards the amounts due in application of the equalisation mechanism to the restriction of total distribution revenue for subsidiaries operating in the sector, and for contributions relative to reaching the energy saving targets. The balance for the comparative year is influenced significantly by the measures introduced by the Government from autumn 2021 and in the first half of 2023, in order to contain energy tariffs. These measures involved bringing the majority of system charges to zero and the expansion of the gas and electricity social bonuses, with a resulting tariff reduction, not affecting market operators, which led to the onset of a relevant receivable from the Energy and Environmental Services Fund.

14.19. Current derivative financial instrument assets and liabilities

Current derivative financial instrument asset and liabilities amount respectively to € 1,976 thousand and € 1,026 thousand at 31 December 2023 and refer entirely to forward commodity contracts.

14.20. Cash and cash equivalents

The balances of items under cash and cash equivalents are shown below as at 31 December 2023:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Bank current accounts	191,426,530	24,853,028	166,573,502
Postal current accounts	6,743,377	1,247,459	5,495,918
Cash and cash equivalents	33,573	8,316	25,257
TOTAL	**198,203,480**	**26,108,803**	**172,094,677**

The balance represents cash and cash equivalents and the existence of numbers and values as at the reporting date.

14.21. Share capital

The share capital of Alia Servizi Ambientali SpA is € 360,556,971, consisting of 360,556,971 ordinary shares with a value of € 1, entirely subscribed and paid in, of which 982,107 treasury shares.

During the year, share capital saw the following changes:

- On 26 January 2023, the deed for the merger by incorporation of Publiservizi SpA, Acqua Toscana SpA and Consiag SpA (hereafter, also the "merged companies") in Alia Servizi Ambientali SpA was signed, effective as from 1 February 2023. As a consequence of the merger, the incorporating company Alia Servizi Ambientali SpA carried out a share capital increase of € 225,848,513 and, as a consequence of the subsequent annulment of the Alia shares directly held by Publiservizi and Consiag equal to € 19,942,994.00, share capital was increased by € 153,413,910 to € 359,319,429.

- On 14 October 2023, the Alia Extraordinary Shareholders' Meeting resolved a share capital increase of € 1,237,542.00, as well as a total share premium of € 2,223,527.00. This increase was subscribed on 15 December 2023 by the shareholder municipalities of AER Ambiente Energia Risorse SpA with the transfer of the respective equity investments in AER Ambiente Energia Risorse SpA. The transaction was notarised by Dr. Cerbioni. Consequently, share capital increased from € 359,319,429 to € 360,556,971.

14.22. Shareholders' Equity

In the financial periods ended 31 December 2023 and 31 December 2022, shareholders' equity amounted to € 1,216,724 thousand and € 387,114 thousand, respectively. The change in the Group's equity at 31 December 2023 compared to 31 December 2022 is mainly due to:

- distribution of dividends to Shareholders (profit for the year 2023 and reserves) by the Parent Company (-€ 28,000 thousand);
- acquisition of minority interests in Revet S.p.A. and Toscana Op.Co S.p.A., as described in the section "Acquisitions of additional interests in companies already controlled (-€ 242 thousand);
- already controlled companies;
- share capital increase and reserve from the merger by incorporation in Alia S.p.A. of Consiag S.p.A., Acque Toscane S.p.A. and Publiservizi S.p.A., as described in the section "Merger by incorporation of Consiag S.p.A., Publiservizi S.p.A., Acque Toscane S.p.A." net of the reduction in the reserve to recognise the option granted to the former shareholders of Publiservizi S.p.A., in relation to which more information can be found in the section on equity investments (€ 508,994 thousand):
- share capital increase and reserves following the transfer to Alia of 90.02% of the equity investment in AER S.p.A. by the shareholder Municipalities (€ 3,461 thousand);
- Acquisition of treasury shares following certain shareholders exercising their right to withdrawal (-€ 2,709 thousand)
- result of the Group's statement of comprehensive income (+€ 36,356 thousand).

The change in shareholders' equity attributable to Non-Controlling Interests at 31 December 2023 compared to 31 December 2022 is mainly due to:

- decrease of reserves following the acquisition of minority interests in Revet S.p.A. and Toscana Op.Co S.p.A., as described in the section "Acquisitions of additional interests in companies already controlled (-€ 889 thousand);
- recognition of reserves relative to Estra minority interests following line-by-line consolidation, as described under "Acquisition of control Estra S.p.A. (€ 302,867 thousand);
- recognition of reserves relative to AER minority interests following line-by-line consolidation, as described under "Acquisition of control AER S.p.A.) (€ 384 thousand);
- result of the statement of comprehensive income relative to minority interests (€ 9,399 thousand).

Reconciliation of profit (loss) for the year and shareholders' equity for the parent company

Below is a reconciliation between profit/(loss) for the year and shareholders' equity for the parent company, and the relative consolidated figures at 31 December 2023.

	Shareholders' equity at 31/12/2023	Profit (loss) at 31/12/2023
Balances as in the parent company's financial statements	**877,409,606**	**28,299,132**
Shareholders' equity, subsidiaries	530,354,424	18,470,470
Elimination of carrying amount of equity investments	(210,181,430)	
Excess SE in annual financial statements compared to carrying amounts of equity investments in consolidated companies		
Allocation of SE to minority interests	(310,699,381)	(10,754,177)
Goodwill		
Infragroup eliminations	-	-
Other adjustments	708,043	588,907
Balances as in Alia Group consolidated financial statements (group share)	**887,591,262**	**36,604,332**
Allocation of minority interests	329,132,801	9,454,758
Balances as in Alia Group consolidated financial statements (total)	**1,216,724,063**	**46,059,089**

Minority interests

	Shareholders' equity attributable to minority interests	Net profit (loss) minority interests	Net OCI profit (loss) minority interests	Net profit (loss) minority interests TOTAL
PROGRAMMA AMBIENTE APUANE SPA	35,506	201,479		201,479
REVET SPA	18,752,686	2,098,547	-2,372	2,096,174
ESTRA GROUP	309,960,901	7,154,733	-53,186	7,101,546
AER AMBIENTE ENERGIA RISORSE SPA	383,708			-
TOTAL	***329,132,801***	***9,454,758***	***(55,559)***	***9,399,199***

14.23. Provisions for risks and charges

In the financial periods ended 31 December 2023 and 31 December 2022, the provisions for risks and charges amounted to € 68,964 thousand and € 46,057 thousand, respectively.

The table below shows the composition of the item and the change that occurred in 2023:

	Provision for landfill risks	Other provisions for risks	Provision for Extraordinary Maintenance Risks (IFRIC 12)	Plant dismantling provision	Total
Amount at 31/12/2022	**34,786,870**	**10,526,703**	**743,342**		**46,056,915**
Increases	-	-	-	-	-
Provisions	-	13,431,279	247,089	2,833,480	16,511,848
Provision Adjustment	(3,918,038)	(754,613)	-	(229)	(4,672,880)
Interests	460,066	-	-	-	460,066
Uses	(377,665)	(7,246,983)	(214,695)	-	(7,839,343)
Excess to IS	-	(1,070,650)	-	-	(1,070,650)
Change in the scope of consolidation	-	9,973,969	-	1,155,000	11,128,969
Merger Contributions	-	8,389,172	-	-	8,389,172
Amount at 31/12/2023	**30,951,233**	**33,248,876**	**775,736**	**3,988,251**	**68,964,095**

The closing balance mainly includes:

- Provision for post-closure landfill management for € 30,951 thousand. This represents the amount allocated to handle costs that must be incurred to manage the closure and post-closure period of landfills currently managed. Future outlays, determined for each landfill based on a specific appraisal provided by an independent third-party expert, were discounted in line with the provisions of IAS 37. Increases in the provision include the financial components obtained through the discounting procedure and allocations required after changes in the hypotheses for future outlays, following revision of appraisals both for landfills currently in use and those which are already full. Uses represent effective outlays during the year.

Additionally, the potential impacts on the provisions for post-closure landfill management in the case of a hypothetical 50 basis point decrease in discount rates would be +€ 1,321 thousand. On the other hand, the potential impacts on the provisions for post-closure landfill management in the case of a hypothetical 50 basis point increase in interest rates would be -€ 2,247 thousand.

Finally, the potential impact on the provisions for post-closure landfill management in the case of a hypothetical 5% increase in expected future outlays would be € 1,548 thousand.

- Provisions for other risks total € 33,249 thousand. This item is recognised against future and possible risks linked to pending litigation. The provision in question includes disputes and legal defence costs (€ 4,349 thousand) and is allocated based on the best estimate at the reporting date of the risk relating to expenses and obligations arising from ongoing lawsuits involving Group companies. Given that the time period to resolve the disputes cannot be reasonably predicted, the Group has not discounted the item. The provision for the year is mainly linked to the allocation to the provision for the risk of interest payable that the Group may have to pay for delayed payment of payable items subject to dispute, in the event of losing the dispute (€ 1,909 thousand). The item Other provisions for risks also includes risks associated with market trends in energy efficiency certificates, considering the remainder of the mandatory certificates to be purchased and the most recent estimate available for the contribution that will be recognised by the Authority (around € 959,000). The item Other risks also includes risks associated with the plants producing energy from renewable sources and technological equipment for telecommunications and to penalties related to the gas distribution business (€ 8,581 thousand). The provision for the year also includes the allocation to hedge the risk of two different proceedings pertaining to the sale of natural gas, both in the extra-judicial stage, for which the Group is aiming for a deflationary resolution of the potential claims, for a total of € 900 thousand. Due to the business combinations which involved the parent company, the item other risks further increased by around € 7,117 thousand. It also includes provisioning for around € 3.1 million associated with the proceeding General Register 1987/2016. Finally, during the year € 5,201 thousand was allocated for employee performance bonuses.

- Provision for restoration and replacement for € 776 thousand. This item is recognised against future and possible cyclical extraordinary maintenance on plants.

Provision for plant dismantling: this item is recognised based on the estimate of dismantling and removal costs and the costs for environmental reclamation at the end of the life cycle of the anaerobic digestion system located at Polo di Casa Sartori, currently being constructed for € 2,744 thousand. The estimated metric amount, prepared by an independent third-party expert, was discounted in line with the provisions of IAS 16. The provision also refers to the concession relationship between the subsidiaries Cavriglia and Tegolaia and the granting Municipality, recognised in accordance with IAS 17.50 as a sale and leaseback transaction (IAS 17.59).

14.24. Employee severance indemnity [TFR] and other benefits

The employee severance indemnity [TFR] provided for in Art. 2120 of the Italian Civil Code, from the point of view of recognition in the financial statements, qualifies as a defined benefit pension plan, and as such, was treated according to IAS 19, which requires the measurement of the relevant liability based on actuarial criteria.

The table below shows the changes during 2023 to the obligations for defined benefits and the fair value of the plan's assets:

DESCRIPTION	**TFR (Employee severance indemnity)**
AMOUNT AT 31/12/2022	**12,444,388**
Change in the scope of consolidation	8,671,860
Merger contributions	31,364
Provisions	683,597
Uses	-2,766,782
Other changes	-40,437
Actuarial (gains)/losses	399,872
Interest Cost	572,828
Service Cost	138,607
AMOUNT AT 31/12/2023	**20,135,298**

The item, equal to € 20,135 thousand, includes the actuarial measurement of provisioning in favour of employees for the severance indemnity and other contractual benefits, net of advances granted and deposits made to other social security entities in line with current law. The calculation is done utilising actuarial techniques and discounting future liabilities as of the reporting date. These liabilities consist of the amount the employees will have accrued as of the date they will presumably leave the company.

The following table provides the main assumptions used in the actuarial estimate of employee benefits:

Description	**% rate used for financial year 2023** *(range from-to)*	**% rate used for financial year 2022** *(range from-to)*
Inflation rate	2.00%	2.30%
Annual discount rate	3.08%–3.17%	3.63%–3.77%
Annual overall wage increase rate	3.00%	3.22%–3.23%
Annual rate of leaving work for reasons other than death	1.00%	1.00%

The OCI section outlines the actuarial component related to the TFR and the relative deferred tax.

14.25. Non-current and current financial liabilities

The following schedule provides a breakdown of current and non-current financial liabilities for financial years 2023 and 2022. In the financial periods ended 31 December 2023 and 31 December 2022, loans amounted to € 870,631 thousand and € 189,766 thousand, respectively.

	Balance at 31 December 2023			Balance at 31 December 2022			
	Current	Non-current	Total	Current	Non-current	Total	Changes
Bond loans	5,000,100	235,938,429	240,938,529	108,714	94,461,912	94,570,625	146,367,904
Payables to credit institutions	236,845,811	360,588,481	597,434,292	20,376,013	67,759,050	88,135,064	509,299,228
Payables to other lenders	3,349,403	1,089,208	4,438,611	85,853	1,089,208		4,438,611
Financial liabilities for rights of use	5,818,767	22,001,082	27,819,848	1,920,058	5,140,365	7,060,423	20,759,425
Total financial liabilities	**251,014,080**	**619,617,200**	**870,631,280**	**22,490,638**	**168,450,535**	**189,766,112**	**680,865,168**

The change in financial liabilities for bonds and medium/long-term loans is illustrated below:

Amounts in euros	31/12/2022	Change in the scope of consolidation	Granted/New loans	Repayments	Application of amortised cost	31/12/2023
Bonds	94,570,626	166,016,000	-	(19,993,822)	345,725	**240,938,529**
Loans	78,041,046	494,566,000	130,800,000	(136,779,883)	1,484,282	**568,111,445**
Total	**172,611,671**	**660,582,000**	**130,800,000**	**(156,773,704)**	**1,830,008**	**809,049,975**

The table below shows the carrying amount at 31 December 2023 and 31 December 2022 for each bond loan issued:

	Year ended 31 December	
(amounts in thousands of euros)	**2023**	**2022**
BOND EUPP 2017-2023	5,000	109
BOND EUPP 2022-2028	89,740	94,462
BOND EUPP 2022-2027	77,380	
BOND USPP 2022-2029	68,819	
Bonds	**240,939**	**94,571**

Existing bonds at 31 December 2023 are represented by:

- An unsecured and non-convertible bond issued on 9 March 2017 in the nominal amount of € 50,000,000; the residual value of which at 31/12/2023 is € 5,000,100. The original duration was seven years at an effective interest rate of 2.7%. Repayment began in 2021. As of the reporting date the value of the units repaid by the company is € 44,999,900, of which € 29,999,900 relative to the partial repurchase carried out on 22 April 2022. On 29/02/2024, after the Bondholders' Meeting, the bond's maturity date was extended to 9 September 2025. The interest rate payable to the bondholder for the period from 09/03/2024 to 09/09/2025 increased from 2.7% to 5.6%. The bond is listed on Euronext Dublin (formerly the Irish Stock Exchange).

- A bond issued on 23 February 2022 for a nominal amount of € 90,000,000 (senior unsecured and unrated non-convertible) with a duration of 6 years and a variable interest rate equal to the Euribor 6 months plus a spread of 2.60% ("2022 Bond"). The interest coupon date is half-yearly and repayment will occur in a single payment at maturity (23 February 2028). The bond is listed on Euronext Dublin (formerly the Irish Stock Exchange).

- A non-convertible unsecured bond loan for € 80,000 thousand, deriving from the consolidation of Estra S.p.A., represented by bonds listed on the regulated market managed by the Irish Stock Exchange, where the relative prospectus has been filed, issued on 14 April 2022.

The loan is guaranteed by the subsidiary Centria S.r.l., entirely subscribed by institutional investors outside of the United States of America. Bonds, issued at a price of 98.509% of nominal value, are unrated, have a duration of 5 years and a fixed coupon of 3.050%.

- A non-convertible unsecured senior bond placed with American institutional investors (so-called “US Private Placement”), issued on 15 September 2022 for the amount of € 70,000 thousand, deriving from the consolidation of Estra S.p.A.
  The bonds, issued at par and with a duration of 7 years, admitted to trading on the non-regulated market of the Wiener Börse AG, have a fixed coupon of 4.20% and will be repaid at par in a single tranche at the maturity date.
  The issue is part of an uncommitted issue programme of bonds that can be subscribed by the Pricoa Group (“Private Shelf Facility”) up to US$ 125,000 thousand, with a 3-year duration.

All issues were aimed at the partial repayment of existing debt as well as support for the Group’s investment plan, and pursue a strategy of diversification and improvement of the Group’s indebtedness, by extending its average duration.

The change in bonds during the year refers, beyond the effects of amortised cost, to the repayment on 28/11/2023 of the non-convertible bond initially for € 80 million, with a residual € 20 million, deriving from the consolidation of Estra S.p.A., listed on the Irish Stock Exchange, issued in 2016 and which had reached maturity (7-year duration, fixed 2.45 coupon).

The Group's main loans are represented by:

- a capex line granted to the parent company on 22 April 2022 by a pool of banks for € 135,000 thousand with a biennial availability period. It has a 5-year duration with a variable interest rate equal to the Euribor 6M plus a 2.40% spread. Repayment of the loan begins in May 2024 with reference to 20% of drawdowns made. The remaining 80% will be repaid in a single payment at maturity (22 April 2027). On 29 April 2022, the company carried out the first drawdown in the amount of € 46,389 thousand. At 31 December 2023, total drawdowns came to € 116,389 thousand. During 2023, a total of 4 tranches for a total of € 70,000 thousand were required and issued. Cash and cash equivalents deriving from the signing of the contract are mainly intended to finance investments planned, with the aim of transforming the service in the context of the twenty-year concession.

- A pool loan obtained on 9 August 2022 by the subsidiary Estra S.p.A. with major credit institutions for a total of € 150,000 thousand, maturing on 8 August 2027 and broken down into two medium/long-term credit lines:
  - a credit facility (Facility A), for a maximum amount of € 120,000 thousand in support of the costs incurred and to be incurred based on the Group’s CapEx plan and
  - a credit facility (Facility B), for a maximum amount of € 35,000 thousand to be used in support of the Company and the Group’s general cash requirements.

- A loan agreement finalised by Estra S.p.A. on 24/03/2023 for € 80,000 thousand supported by a guarantee issued by SACE S.p.A. to hedge 90% of the total amount in accordance with the provisions of Decree Law no. 50 of 17 May 2022 definitively converted with amendments into Law 91/2022 and published in the Official Gazette no. 164 of 15 July 2022 and pursuant to Article 2.5 *et seq.* of the SACE General Conditions, in support of the financing requirements of the net working capital of the natural gas and electricity sales activity. The loan, taken on by Estra S.p.A., was utilised by the same for the disbursement of an intercompany loan of the same amount in favour of Estra Energie S.r.l., fully disbursed on 27/03/2023;

Contractual conditions for certain bank loans and bonds include, in line with the relevant market, conditions that entitle counterparties (whether banks or bondholders) to request immediate repayment of the amounts loaned from the debtor, should specific events arise. Please see the section in the Notes, “Default risk and covenants”.

14.26. Other non-current liabilities

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Payables to Publiservizi SpA	-	1,080,000	-1,080,000
Provincial Tax	508,075	501,171	6,904
Other payables	1,020,576	9,916	1,010,660
Guarantee deposits	270,610	270,610	-
Deferred income, non-current	10,750,542	7,746,677	3,003,865
TOTAL	**12,549,802**	**9,608,374**	**2,941,428**

Deferred income refers to portions of contributions for plants received and relative to future years.

	after 12 months
TOTAL	10,750,542

14.27. Non-current trade payables

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Trade payables, non-current	4,233,333	3,400,000	833,333
TOTAL	**4,233,333**	**3,400,000**	**833,333**

14.28. Non-current and current contractual liabilities

At 31 December 2023, non-current and current contractual liabilities amounted to € 26,743 thousand and € 1,220 thousand and are mainly connected to contributions received by users for gas connections, booked to the income statement *pro-rata temporis* along the period of amortisation of the related investments.

14.29. Trade payables

Below is the total and breakdown of trade payables:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Payables to suppliers	414,962,107	111,465,675	303,496,432
Payables to associates	1,701,286	2,200,752	-499,466
Payables to companies subject to parent company control	70,686	30,239	40,447
Sundry payables	22,454	-	22,454
Advances	55	-	55
Payables to parent companies	38,504	-	38,504
TOTAL	**416,795,092**	**113,696,666**	**303,098,426**

The balance of € 416,795 thousand mainly includes trade payables due to third party suppliers of € 414,962 thousand.

14.30. Current tax liabilities

Current tax liabilities are broken down in the schedule below:

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
IRES tax payables	15,616,938	1,291,665	14,325,273
IRAP tax payables	2,900,908	1,038,680	1,862,228
Other tax liabilities	12	-	12
TOTAL	**18,517,858**	**2,330,345**	**16,187,513**

The payable positions indicated above refer to the Group's tax payables due in the coming year.

14.31. Other current liabilities

	Balance at 31 December 2023	Balance at 31 December 2022	Changes
VAT advance	8,753,225	251,138	8,502,088
Other payables	156,399,060	9,502,466	146,896,594
Accrued expenses	754,981	1,152,155	-397,174
Deferred income	3,012,608	1,362,400	1,650,208
Deferred customer VAT	776	776	-
Tax withholdings advance	139,916	56,671	83,245
Employee IRPEF advance	4,106,604	2,379,988	1,726,616
Payables to social security institutions	8,069,029	4,380,093	3,688,936
TFR substitute tax payable	-25,176	-8879	-16,297
Eco-tax	28,692	-	28,692
Payables to Municipality of Florence	5,084	4,588	496
Guarantee deposits	33,951,001	-	33,951,001
Payables to Energy and Environmental Services Fund [CSEA]	4,994,559	-	4,994,559
TOTAL	**220,190,359**	**19,081,396**	**201,108,962**

The item “Other payables” includes the payable recognised with reference to the option granted to Italgas for € 125,981 thousand. Please see the section “Equity investments” for more details.

The payable positions indicated above refer to the Group's tax and social security payables due in the coming year. The amount due to the Municipality of Florence refers to payments for the waste tax received from users through its role as the accounting agent and reversed in the subsequent year.

15.OTHER INFORMATION

Fair value hierarchy

In relation to financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires that these amounts be classified on the basis of a hierarchy which reflects the significance of the inputs used to determine the fair value.
The following levels are identified:
- Level 1 - prices listed on an active market for the asset or liability being measured;
- Level 2 - input other than the prices listed above, directly observable (prices) or indirectly observable (derived from prices) on the market;
- Level 3 - input not based on observable market data. The “assets measured at fair value” in the above table fall within the level in question.

Breakdown of financial instruments by measurement category applied

Below is a reconciliation between classes of financial assets and liabilities as identified in the statement of financial position and the type of financial assets or liabilities identified in line with the requirements established in IFRS 7, adopted in these financial statements.

(in units of euros)	Financial assets/liabilities measured at fair value	Assets measured at amortised cost	Liabilities measured at amortised cost	Total
CURRENT ASSETS				
Trade receivables		540,967,493		540,967,493
Current Assets from Contracts with Customers		19,120,747		19,120,747
Other current assets		158,389,322		158,389,322
Current derivative financial instrument assets	1,976,488			1,976,488
Cash and cash equivalents		198,203,480		198,203,480
NON-CURRENT ASSETS				
Non-Current Financial Assets		22,514,809		22,514,809
Non-Current Trade Receivables		552,091		552,091
Non-Current Assets from Contracts with Customers		25,450,943		25,450,943
Other equity investments	10,504,881			10,504,881
Non current derivative financial instrument assets	414,470			414,470
Other Non-Current Assets		4,851,363		4,851,363
CURRENT LIABILITIES				
Current financial liabilities			245,195,314	245,195,314
Current financial liabilities for rights of use			5,818,767	5,818,767
Trade payables			416,795,092	416,795,092
Other current liabilities			220,190,359	220,190,359
Current derivative financial instrument liabilities	1,026,434			1,026,434
Current contractual liabilities			1,219,604	1,219,604
NON-CURRENT LIABILITIES				
Non-current financial liabilities			597,616,118	597,616,118
Non-current financial liabilities for rights of use			22,001,082	22,001,082
Non-current trade payables			4,233,333	4,233,333
Other non-current liabilities			12,549,802	12,549,802
Non-current contractual liabilities			26,743,159	26,743,159

Note that at 31 December 2023 there are no financial instruments measured at fair value, with the exception of other equity investments and derivative instruments. Trade receivables and payables are measured at the carrying amount, held to approximate their fair value.

To obtain the fair value measurement of derivative instruments, the Group used internal assessment models. which are generally used in financial practice, based on the prices provided by market operators or by listings recorded on active markets by primary info providers. To determine the fair value of derivatives on commodity rates or prices, a pricing model is used based on the market forward curve at the reporting date, when the underlying of the derivative is traded on markets that present official and liquid forward price listings. In the case that the market does not present forward listings, provisional price curves are used, based on internal evaluation techniques.
In so far as non-performance risk is concerned, i.e. the risk that one of the parties may not honour their contractual obligations due to a possible default before the derivative's due date, both in respect of counterparty risk (credit value adjustment: CVA), and own non-performance risk (Debt Risk Adjustment: DVA) any adjustments are not deemed significant, in consideration of the type of derivative instruments in

the portfolio (represented exclusively by buy or sell short-term forward commodity contracts and financial derivatives with primary credit institutions) and the ratings of both the counterparties with whom the contracts were entered into and the Group.
The Group is not offsetting financial instruments as per IAS 32 and has no significant offsetting agreements. There were no changes in the valuation methods used compared to previous years, nor transfers from one level to another in the hierarchy of assets or liabilities measured at fair value.

15.1. Result per share

As required by IAS 33, information is provided on the data used to calculate the net result and result from operating activities per share and diluted. The basic result per share is calculated by dividing the economic result for the period, profit or loss, attributable the Parent Company shareholders by the average weighted number of shares in circulation during the reference period. There were no diluted effects of the result per share in two years.
The values used to calculate the result per basic share are shown below.

	31/12/2023	31/12/2022
Net income pertinent to Parent Company shareholders (thousands of euros)	36,853	21,192
- Operating activities	36,853	21,192
- Assets held for sale		
Average number ordinary shares in circulation in period	360,556,971	153,413,910
Result per base share (euros)	**0.10**	**0.14**

The result per share for 2023 is 0.10.

15.2. Guarantees and undertakings

Type of guarantee and description	Nominal guarantee amount (€ thousands)
Guarantee issued to Unicredit in favour of Blugas Infrastrutture S.r.l. for funding	250
Guarantee issued to the Tuscany Region in favour of Bisenzio Ambiente S.r.l. in terms of DGRT no. 743 of 6 August 2012	2,357
Sureties issued to the Tax/Customs Authorities for tax refunds	3,522
Sureties to other parties	451
Guarantees issued on behalf of local entities for work or concessions relating to the use of public land	9,508
Patronage letter issued by Banca di Cambiano in favour of Vetro Revet	3,655
Guarantee issued by Banca di Cambiano in favour of Sistema Ambiente for the awarding of a tender	696
Guarantee issued by TUA ASSICURAZIONI SpA-Contract Guarantee Surety Policy - Ministry of the Environment and Energy Security	31
Guarantee issued by UNIPOL ASSICURAZIONI SpA-Surety Policy - ANAS	5
Guarantee issued by UNIPOL ASSICURAZIONI SpA-Guarantee Surety Policy - Province of Florence	8
Guarantee issued by REALE MUTUA ASSICURAZIONI -Surety Policy - Region of Tuscany Environment and Energy Department	5
Guarantee issued by ELBA ASSICURAZIONI SpA-Guarantee Surety Policy - Ministry of Environment	31
Guarantee issued by ELBA ASSICURAZIONI SpA-Surety Policy - Ministry of the Environment and Protection of Land and Sea	250
Guarantee issued by ELBA ASSICURAZIONI SpA-Guarantee Surety Policy - Ministry of Environment	26
Guarantee issued by ASSICURATRICE MILANESE SpA-Surety policy for waste disposal and recovery plants - Region of Tuscany	8
Guarantee issued by ELBA ASSICURAZIONI SpA-Surety policy for waste transport companies - Ministry of Environment	26
Guarantee issued by BNL Leasing - Warehouse lease via Marconi - Rufina-Full commitment for future payment of rent not yet due and final purchase option	350
Guarantee issued by BNL Leasing - Warehouse lease via Volta - Rufina-Full commitment for future payment of rent not yet due and final purchase option	624
Guarantee issued by Intesa San Paolo S.p.A. in favour of the Municipality of Montespertoli for mitigation and restoration work, Casa Sartori landfill	150
Guarantee issued by Intesa San Paolo S.p.A. - autonomous first call guarantee in favour of Intesa San Paolo S.p.A. and Unicredit S.p.A. for Publiacqua S.p.A. (M/L-term loan)	30,000
Guarantee issued by Unicredit S.p.A. - autonomous first call guarantee in favour of Intesa San Paolo S.p.A. and Unicredit S.p.A. for Publiacqua S.p.A. (M/L-term loan)	30,000

15.3. Objectives and criteria for financial risk management

The Group's main financial liabilities, other than derivatives, include bank loans and funding, bond loans, trade payables, various payables and financial guarantees. The main objective of these liabilities is to fund the Group's operating activities. The Group has trade receivables and other commercial and non-commercial receivables, cash and cash equivalents and short-term deposits, originating directly from operating activities. The Group also signs derivative contracts.
The Group is exposed to market risk, credit risk and liquidity risk. The Group's Management is assigned the management of these risks. The Group has also initiated the process to define an integrated risk management model, based on internationally recognised standards in the context of Enterprise Risk Management (ERM), developed according to the reference model generally accepted at international level in the area of internal audit, issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as the CoSO Report).

This ERM Model also aims to support Management so that activities involving financial risk are governed by appropriate company policies and adequate procedures, and that financial risks are identified, measured and managed in accordance with the Group's policies and procedures.

15.3.1. Interest rate risk

Interest rate risk is the risk that fair value or future cash flows for a financial instrument will alter due to changes in the market interest rates. The Group's exposure to changes in market interest rates is related firstly to long-term debt with variable interest rates.
The Group manages its interest rate risk based on a balanced portfolio of loans and funding at fixed and variable interest rates by subscribing to interest rate swaps (IRS), where at defined intervals, the Group agrees to swap the difference on the amount between the fixed and variable rate, calculated with reference to an agreed notional capital amount. These swaps are designated to hedge the underlying debt.

As at 31 December 2023, after taking into account the effect of the IRS, about 22% of the Group's bonds and medium/long-term loans are fixed- rate. In particular, the loans with a longer duration are fixed rate (bond maturing in 2027 and USSP bond).

15.3.2. Credit Risk

Credit risk is the risk that a counterparty will not fulfil its obligations associated with a financial instrument or commercial contract, thereby resulting in a financial loss. The Group is exposed to credit risk deriving from its operating activities (particularly, trade receivables deriving from the sale of gas and electricity) and its financial assets, including deposits held at banks and financial institutions.

Trade receivables

The risk for trade receivables is managed on the basis of policies set by the Group and according to the procedures and controls for credit risk management.
Over time the Group has improved its control over credit risk by strengthening its monitoring and reporting procedures, in order to implement countermeasures to be adopted for causes identified as soon as possible. To control credit risk, with regard to the portfolio existing at the reporting date, which is deemed to be the maximum exposure for the Group, methodologies have been defined to monitor and manage receivables as well as defining strategies to limit credit exposure, such as customer credit checks at the time of acquisition through credit rating analysis to limit insolvency risk, the assignment of receivables of terminated customers to external credit collection services and the management of legal action on receivables associated with services provided, recourse to insurance cover and obtaining guarantees from customers.

An analysis is done at each reporting date, as to whether write-downs are required in respect of the more significant customers. Furthermore, for most of the minor credits, grouped into similar categories, an evaluation is also done as to whether to reduce the total value. The calculation is based on historic data. The maximum exposure to credit risk at the reporting date is the carrying amount for each financial asset class shown in the note Trade receivables.

Additional information can be found in the section "Provisions for risks and write-downs" under significant accounting estimates.

The table below provides details on gross trade receivables and relevant provision for write-downs at 31 December 2023 and 2022:

	Balance at 31 December 2023		Balance at 31 December 2022	
Receivables from customers	645,724,449	100%	151,153,246	100%
Provision for write-downs	-104,756,955	16%	-18,605,048	12%
TOTAL	**540,967,493**	84%	**132,548,198**	88%

The table below provides details on gross trade receivables according to ageing at 31 December 2023:

RECEIVABLES BALANCE 2023	*OVERDUE*			*FALLING DUE*
	0-30	**31-90**	**over 90**	
645,724,449	62,295,152	38,406,144	79,821,805	465,201,348

Financial instruments and bank deposits

Credit risk relative to relations with banks and financial institutions is carefully monitored. The investment of available funds is only undertaken with approved counterparties and within defined limits so as to minimise the concentration of risk, and consequently mitigate any financial loss generated by the counterparty's potential bankruptcy. The Group's maximum exposure to credit risk in respect of the items in the balance sheet at 31 December 2023 are the carrying amounts shown in the Note Financial instruments and measurement at fair value, with the exception of financial guarantees.

15.3.3. Liquidity Risk

The Group monitors the risk of a shortfall in liquidity by using a cash planning tool.
The Group's objective is to maintain a balance between continuity in the availability of funds and flexibility in use, by adopting financial instruments such as bank overdrafts, bank loans, bonds, financial leases and rental and purchasing contracts.
The current and forecast financial situation is constantly monitored, as is the availability of adequate credit. The accounts held by the Group with the main Italian and International Banks make it possible to identify the most suitable types of loans and the best market conditions.

The table below shows an analysis of due dates based on the non-discounted refund obligations in terms of contracts as they relate to bond loans, medium/long-term bank loans, leases and medium/long-term loans to shareholders as at 31 December 2023.

(amounts in euros)	Total cash flow	CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y	CF > 5 Y
Bond loans	245,000,100	0	5,000,100	170,000,000	70,000,000
Bank loans	569,453,242	192,287,147	147,893,071	229,119,383	153,641
Leases	31,868,128	6,761,783	6,051,977	13,108,485	5,945,883
Total	**846,321,470**	**199,048,930**	**158,945,148**	**412,227,867**	**76,099,524**

The Group closed financial year 2023 with a strong liquidity position, amounting to € 198 million, with access to extensive short-term credit facilities granted by leading credit institutes.

The Group mainly seeks recourse to short-term bank advances to meet the possible financial requirements generated by net commercial working capital, in particular for companies operating in the sale of natural gas and electricity, which also due to their seasonal nature, which generally record physiological growth in the first half of the year due to the misalignment in the time frame between collections from customers and payments to suppliers.

In a situation in which a temporary decrease in liquidity occurs due to a longer period of time in collecting fees from customers/users, management will activate available levers to protect the Company's financial structure and its commitments (including compliance with financial parameters envisaged in existing loan contracts), including adjusting non-strategic investments.

15.3.4. Default risk and covenants

The Group has bank loans and bond loans in place, where according to the type of instrument in line with the market, contract conditions entitle counterparties (whether banks or bondholders) to request the immediate repayment of the amounts loaned from the debtor, should specific events arise.
These contract conditions usually envisage, in favour of bondholders/credit institutions, that control may not be changed and financial parameters must be respected, such as the net financial debt/EBITDA ratio, net financial debt/RAB ratio, net financial debt/shareholders' equity ratio and EBITDA/financial expense ratio.

The composition of net financial debt at 31 December 2023 and 2022 is shown below. This derives from the consolidated financial statements for the years ended on the same dates, in compliance with the Guidelines on disclosure obligations pursuant to Regulation EU 2017/1129 (so-called "Prospectus Regulation"), published on 4 March 2021 by the European Securities and Market Authority (ESMA):

	Financial debt	**Consolidated figures**
	(amounts in euros)	
A.	Cash and cash equivalents	198,203,480
B.	Cash equivalents	
C.	Other current financial assets	7,316,166
	- current derivative financial instruments	1,976,488
	- Receivables from banks	1,230,715
	- Other current financial assets	4,108,963
D.	**Cash and cash equivalents (A) + (B) + (C)**	**205,519,647**
E.	Current financial payables (including debt instruments, but excluding the current portion of non-current financial debt)	49,142,626
	- current financial debt	10,297,426
	- current derivative financial instruments	1,026,434
	- bank debts	27,000,000
	- bonds issued	5,000,000
	- payables to other lenders for financial leases	456,130
	- payables to other lenders for operating leases	5,362,637
F.	Current portion of non-current financial debt	202,897,788
	- bank debts	202,668,299
	- other bank payables	229,489
G.	**Current financial debt (E) + (F)**	**252,040,414**
H.	**Net current financial debt (G) - (D)**	**46,520,767**
I.	Non-current financial debt (excluding the current portion and debt instruments)	383,678,771
	- non-current bank debts	360,588,481
	- payables to other lenders for financial leases	3,741,650
	- payables to other lenders for operating leases	18,259,432
	- other bank payables	1,089,208
J.	Debt instruments	235,938,429
	Bonds issued	235,938,429
K.	Trade payables and other non-current debt	4,233,333
L.	**Non-current financial debt (I) + (J) + (K)**	**623,850,533**
O.	**Total financial debt (H) + (L)**	**670,371,300**

At 31 December 2023, net financial debt was € 670 million, worse with respect to 31 December 2022 by € 500 million, mainly due to the change in the scope of consolidation.

It should be noted that the Group has bank loans and bond loans in place, where according to the type of instrument in line with the market, contract conditions entitle counterparties (whether banks or bondholders) to request the immediate repayment of the amounts loaned from the debtor, should specific events arise.

In particular, the settlement of bond loans requires:

- commitments made by the Group, including in particular, a negative pledge, whereby the Group undertakes not to create, or allow the creation, whether partial or total, of any constraints on its present or future assets or revenue;
- non-performance in line with market practice for similar types of transactions. With specific reference to the latter, it should be noted, by way of example, *inter alia*:
    a) non-performance of the obligations arising from convictions, on condition that predetermined relevance threshold are exceeded;
    b) disposal and/or company restructuring operations (including, cases of winding-down and liquidation and the termination, be it total or a substantial portion of its business) not falling within the scope of those defined as permitted, as well as the winding down or liquidation of the Group or its subsidiaries defined as being relevant;
    c) change in the control structure, in respect of which, following the notice for bondholders to exercise the put option, the Group must fully (and not partly) reimburse whatever forms the subject of the put option at the bonds' nominal value, plus the interest accrued from the previous interest payment date.

The bond loan regulations also require the Group to comply with specific capital-financial indices for the entire duration of the loan. Failure to comply with these parameters could result in the execution of the acceleration clause and an earlier repayment obligation arising for the debtor.

The financial parameters relating to these regulations are summarised below:

- the ratio between net financial debt and EBITDA (less than or equal to 4.5x for the Alia Group), as revised following a change in the contract signed on 4 August 2023 and the Estra sub-group. The Alia Group EBITDA was determined on a pro-forma basis considering contribution from the Estra Group for the entire 12 months;
- the ratio between EBITDA and financial expense (greater than or equal to 3.5x for the Alia Group), as revised following a change in the contract signed on 4 August 2023;
- the ratio between net financial debt and shareholders' equity (less than or equal to 1.2x) for the Alia Group and Estra sub-group;
- the ratio between net financial debt and RAB of the subsidiary Centria S.r.l., consolidated with those of its investee companies (lower than 1x) and the Estra sub-group.

Furthermore, these bond loans contain cross default clauses for the Group or its subsidiaries in the event of defaults for amounts higher than the thresholds set for each regulation.

Additionally, in line with market practises for similar transactions, bond loans require the Group to observe a series of negative covenants, i.e. limits on the option of carrying out certain transactions, such as termination of a significant part of its business.

Furthermore, the existing bank loans impose, *inter alia*, specific obligations (in certain cases, also referring to companies in the Group), in terms of which the Group undertakes:

- not to use the amounts received on the basis of the loan contracts for other purposes than those agreed on;
- not to substantially change the core business;
- not to carry out extraordinary transactions or the disposal of assets other than those expressly permitted (without prejudice, where applicable, with the prior written consent of the relevant lender bank);
- not create, or allow for the creation of constraints or encumbrances on its assets, other than the constraints and encumbrances expressly permitted (negative guarantee); and
- to keep in place all authorisations, permits and administrative licences required or appropriate to allow the Group to conduct its core business;

- not to give rise to changes in the control structure.

In addition, certain loan contracts entered into by the Group also specify that for the entire duration of the loan, the Group must respect predetermined capital-financial indices (similar to those for the Bond Loan Regulations above), with compliance checked on an annual basis (or with reference to the reporting date of each period based on the results of the relative consolidated financial statements or financial statements of the Group contracting company). Failure to comply with these parameters could result in the execution of the acceleration clause and an earlier repayment obligation arising for the debtor.

The existing loan contracts also specify a series of default events (in certain cases, also referring to companies that are part of the Group), including:

- insolvent status or being subject to insolvency procedures (or similar procedures);
- cross-default clauses (and in some cases, cross-acceleration) for amounts higher than predetermined materiality thresholds;
- the implementation of extraordinary transactions on its share capital without prior written consent from the related lender bank;
- the occurrence of events that determine a serious stability crisis and/or liquidity in financial markets that make the funding excessively onerous for the relative lender bank; and
- non-compliance with any of the Group's obligations (including, the infringement of any one of the financial parameters set in the relevant loan contract), unless this non-compliance can be remedied, and this is not done within the deadline granted.

In 2023, there were no violations of the covenants associated with loans and bonds, with the exception of non-compliance with certain parameters for a bank loan with a residual amount of € 3,000 thousand at 31.12.2023, which would require early repayment, without any implications for the Group's remaining debt.
In line with IAS 1, the loan, although originally maturing 2025, was reclassified under current financial liabilities. A waiver was obtained from the lending bank after the reporting date.

15.3.5. Risks associated with commodity prices

The Group is exposed to commodity price risk, so it has to manage risks associated with the misalignment between the indexing formulae related to the purchase of raw materials (natural gas and electricity) and the indexing formulae related to the sale of the same commodities.

The risk relates to both trading activity in a strict sense (spot transactions aimed at achieving additional short-term profits) and "industrial" activity of delivering gas and electricity to final customers.

With reference to trading, the activity is opportunely segregated but is performed within rigorous risk policies that provide for, among other things, observance of limits in terms of Risk Margin and VAR, set by the company's Board of Directors and monitored constantly.

With reference to "industrial" activity, Group policy is designed to minimise the risk associated with fluctuating prices by aligning the indexing of commodity purchases with commodity sales, the vertical exploitation of the various business chains and recourse to financial markets for hedging purposes. In particular, the Group has structured a series of commodity derivatives aimed at pre-setting the effects on sales margins irrespective of the changes in market conditions. All transactions in derivatives are concluded for the purpose of hedging, even if they do not formally come within the criteria defined by the standard IFRS 9 for hedge accounting.

The Group has adopted a specific policy aimed at defining the guidelines of the Estra Group related to governance, the management strategy and the control of risks associated with activities in commodities performed by the Group Companies and, more particularly, the subject of the policy is price risk.

The objective is to stabilise the cash flows generated by the Group's portfolio of assets and contracts, protecting the Group's gross operating margin from fluctuations due to price risk on the commodities traded and to qualify the Group's financial performance with a view to mitigating the risk, through the definition and continuous monitoring of the risk limits.

The Group's policy is oriented to minimising recourse to the financial markets for hedging through making good use of the netting logics included in the Portfolio of reference. To this end, the Group plans as a priority the physical balancing of volumes of its sales of energy commodities on the markets for the various time deadlines, through the portfolio of existing contracts, both medium-term (with reference to the thermal year of the following period) and spot. Secondly, the Group pursues a strategy of making sources and physical uses uniform, so that the formulae and indexing with which the costs deriving from energy commodity purchases are associated reflect as far as possible the formulae and indexing of the Group's revenue, making use to this end also of derivative instruments.

For the purposes of managing and controlling Price Risks, the Estra Group makes use of the consolidated parameters in the international best practice. In particular, the Contribution Margin of the industrial portfolio is subject to monitoring; this includes both Profit & Loss (*realised P&L*) accrued at the date and the future Mark to Market (MtM). The realised P&L corresponds to the portion of P&L already accrued in the relevant accounting year, calculated on the basis of the final value of all the market prices that have determined costs and revenue. The Mark to Market (or *unrealised P&L*) corresponds to the portion of future P&L not yet accrued in the relevant accounting year, measured at fair value on the basis of the forward curve for quoted prices and on forecast curves for non-quoted prices.

Exposure to price risk of the contract portfolio is measured, for each index, as a change in Mark to Market, that is of the Contribution Margin, determined by a unit change in the price of the commodity in question and is permitted within the pre-set limits established by the company's Board of Directors.

As of 31 December 2023, the Group had the following commodity risk derivative instruments included among other current financial assets and liabilities:

Current derivative financial instrument assets	**Year ended 31 December**
(amounts in thousands of euros)	**2023**
Forward commodity contracts	1,976
Derivative instruments	**1,976**
Current derivative financial instrument liabilities	**Year ended 31 December**
(amounts in thousands of euros)	**2023**
Forward commodity contracts	1,026
Derivative instruments	**1,026**

The net balance of the fair values of existing derivative instruments at 31 December 2023 was, therefore, positive for € 950 thousand.

Assuming an instantaneous increase of 5% of the entire forward curve of natural gas and electricity prices, the cumulative fair value of the financial instruments on commodities would worsen by € 1,627 thousand, going from a positive balance of € 950 thousand to a negative balance of € 677 thousand.

The effect of the change in the natural gas price would refer entirely to derivatives with a change in the fair value in the income statement.

Vice versa, with an instantaneous reduction of the entire *forward curve* of the commodity prices of 5%, the effects would be of the same amount with the opposite sign.

15.3.6. Exchange risk

The Alia Group is not exposed to exchange risk as the Group's operations fall solely within Italy.

15.3.7. Equity risk

The Company's goals for capital management are:

- protect the business as a going concern, so as to continue to provide returns to shareholders and benefits to other stakeholders;
- maintain an optimal equity structure to reduce the cost of capital.

To maintain or adjust the equity structure, the Company may, among other things, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt.

15.3.8. Operational risk

This category includes all risks that, in addition to those already indicated above, may have an impact on the achievement of goals, relative to the efficacy and efficiency of company operations, performance levels, profits and the protection of resources against possible losses.
For each operating sector, the risk management process includes analysis of business carried out and identification of the main risk factors associated with the achievement of goals. After these are identified, risks are evaluated in terms of quality/quantity (gravity and likelihood of occurrence), making it possible to identify and select the most significant and consequently establish mitigation plans.
For more information, please see the Management Report.

15.4. Main current litigation

Below is information about the main current litigation and the relative allocation made in the financial statements:

- INPS/INCA services - ONGOING

A dispute between the former Quadrifoglio and the Italian National Social Security Institute (INPS) for contribution irregularities (INCA dispute) regarding a credit of € 695,000 with secondary liability for Quadrifoglio (now Alia) in its quality as the awarding entity. The case ended with a definitive judgement against Quadrifoglio. Nonetheless, at present INPS has not requested the sums and, therefore, it has been deemed necessary to make a provision each year, prudentially and until the debt expires. Allocation to provision for risks of € 695,000.00.

- INPS, for contract worker salary differences - ONGOING

The third stage of proceedings is under way, following the appeal by INPS of the appeals court judgement 134 of 21.02.2019. The dispute revolves around finding 000432607/DDL of 9/2/2015, in which INPS, following the audit carried out regarding the use of benefits associated with law 223/91 (elimination of social security contributions for 12 months, in the case of a temporary work contract, with 12 months added if the relationship is transformed to a permanent contract as envisaged in the same article 8, paragraph 2, or 18 months if the employment contract signed was originally permanent, pursuant to article 25, paragraph 9, in the case of hiring from the unemployment lists) calculated contributions not paid and additional amounts due by the company totalling € 120,319.00. Alia has filed a counterappeal. The allocation of the provision for risks of € 120,319.00 was confirmed.

- VAT on TIA - ONGOING

At the end of 2023, the provision was used in the amount of € 1,271.77, in line with the ruling of the relevant court, which ordered Alia to reimburse a user for court costs as well as the amount of VAT due for the TIA (waste tax). Therefore, the sum of € 14,328.80 was prudentially confirmed for residual cases pending with users for reimbursement of VAT on TIA, in the light of recent case law.

- Leasing fees (former Publiambiente) – CASE RESOLVED WITH A SETTLEMENT AGREEMENT

The subject of the dispute was the payment of leasing fees for a contract for offices in the former Publiambiente premises in Pistoia. While the contract was still in effect, Publiambiente ceased to pay the lease due to uncertainty about who was to be paid the amount (the original lessor or the two financial entities which were subsequently involved in the dispute). The lessor obtained an injunction decree in the amount of € 50,325 for rent from October 2013 to December 2014 invoiced by the same.
The property was released at the end of 2018. Requests for payments were also made for rent arising after the date on which the injunction decree was issued - i.e. after 2014. As the release of the property was not formalised, there was a risk of rent being requested even after 31/12/2018, until the natural expiry of the lease contract. During 2021, negotiations were begun to resolve the dispute out of court, with a possible solution presented to the Alia Board of Directors at its meeting on 23.11.2021.
On 25.10.2022 the Rome Court of Appeals ended the appeals case (RG 7899/2019) rejecting the extinction order issued by the Court of Rome for case RG 30815/2018. In its judgement 7478/2022, the Appeals Court rejected the appeal filed by the lessor and, with respect to costs, ordered the payment of court costs solely for Alia, instead ordering the complainant to pay court costs in favour of the credit institutions.

On 23.05.2023, the lessor notified Alia and the other parties that it had filed an appeal in the Court of Cassation against judgement 7478/2022. While awaiting the decision, the case was resolved with a settlement signed on 21.07.2023. Based on the agreement, Alia paid a total amount of € 130,282.50 in favour of the other parties (banks and credit institutions).
For prudential purposes, the amount due to the lessor based on the signed settlement was maintained (€ 49,957.82), given that after tax checks performed by Alia with reference to the payment, the company is in breach with reference to ADER (Tax Revenue Collection Agency). Additionally, Alia has received a foreclosure notice relative to third parties with respect to the presumed credit from an employee of the lessor. Hence, at present payment has been suspended, awaiting the order assigning the judge.
In the light of the events above, it is possible to reduce the provision for risks by the amount already paid.

- Breach of contract – ENDED FAVOURABLY

The case begun in 2018 with reference to a user who requested compensation for damages due to a lack of door to door service on a private road was ended with a judgement in favour of Alia on 24.02.2023. Therefore, the provision established can be decreased.

- Compensation of damages for car park – ENDED FAVOURABLY

The case begun in 2018 following the merger of ESSEGIEMME into ASM and the latter into Alia is still in progress. A user of a car park managed by ESSEGIEMME claimed damages with respect to their car parked in the Serraglio car park. The case ended with a judgement issued on 03.03.2023 in which the Judge rejected the claimant's request with payment of court costs. Therefore, the provision can be decreased.

- Compensation for damages for termination of tender contracts - ONGOING

During 2020, a contractor filed a case disputing the termination of all the tender contracts between them and Alia. The provision for this case is € 345,000, equal to the sum requested by the company as compensation for damages.

- Recovery of the amount paid by the former Publiservizi (now Alia) to Consorzio Acque e Depurazione (hereafter simply COAD) - ENDED FAVOURABLY

Relations between the former Publiservizi (hereafter simply PS) and the Consorzio date to the mid-Nineties when the latter provided wholesale water to PS as the manager of the Pollino Aqueduct, which in turn provided it at retail to the Municipalities served by the same Aqueduct.
In 2004, PS paid around €250K on the basis of an injunction, which was later revoked by the Florence Court of Appeals in 2016. The injunction was revoked as it was based on an illegitimate resolution made by the Consortium, given that the latter violated the rules on increases in water tariffs. Based on this resolution, COAD had allocated the amounts received from PS for another purpose, with respect to that due for the tariff increase. The Court of Appeals judgement was appealed by COAD with the Court of Cassation, while in the meantime PS took action to have the sums it had originally paid to COAD reimbursed. A series of civil disputes resulted, based on which PS established the allocation to the relevant provision for risks.
On 18.04.2023 the Court of Cassation filed its ordinance 10321/2023 (favourable for PS), in which the Supreme Court declared that COAD's appeal was inadmissible.
Therefore, following the Court of Cassation's judgement the entirety of the provisions made by PS can be decreased.

- Collection action for government aid for tax years 1995 - 1998, filed by the Revenue Agency - ONGOING

The subject of the dispute (acquired through the former Publiservizi, hereafter PS) is the recovery of government aid for tax years 1995 - 1998.
Currently the appeal filed with the Court of Cassation (RG 19113/2020) filed by the Revenue Agency is pending while awaiting the date for the hearing to be set, filed against the CTR decision 1715/2019 in favour of the company.
Alia has allocated the sum of € 6,434,666.67 from the provision established by the former PS, which will thus remain unchanged.

- Assignment of category and land registry value for the former Corliano landfill (Cerreto Guidi) - ONGOING

In 2020, the Revenue Agency informed Alia of the appeal filed with the Court of Cassation against the decision of the CTR (Regional Tax Commission) of Tuscany, in favour of the company, regarding the dispute with the categorisation and land registry value assigned by the taxation entity to the landfill previously managed by the former Publiambiente (now, Alia). It was held necessary to allocate € 3,960, equal to the amount Alia would be required to pay in the case of a loss.

- Labour disputes:

- Claim of a higher level for an employee of the former AER, now employed by Alia (CASE ENDED WITH A SETTLEMENT): the case was filed in 2019 and ended on 5/7/2023 with the signing of a settlement agreement; the provision established was used in its entirety;
- The allocation of € 100,000 is confirmed again in 2023 for claims presented by service sub-contractor employees, prudentially established, given the joint liability constraint under articles 1676 of the Civil Code and 29 of Italian Legislative Decree 276/2003 between the contractor and sub-contractor. Note that the first level case ended with a judgement in favour of ALIA; nonetheless, on 07.11.2023 the contractor appealed the first level judgement with the Florence Court of Appeals; therefore, as noted, the allocation has remained unchanged.
- Appeal of the dismissal of a worker by an Alia sub-contractor (ONGOING). It is suggested, given the joint liability constraint between the contractor and sub-contractor, that an allocation equal to € 21,250.14 be made.

▪ Incomplete waste identification forms (FIR) (notifications, 2019) – ENDED FAVOURABLY

This refers to three notices of findings regarding administrative crimes involving the transport of non-hazardous waste accompanied by incomplete or imprecise documentation in relation to the location of production or storage of waste, for a total fine of € 26,887. Defence briefs have been filed and the decision of the administrative authority is awaited.

In a communication dated 06.02.2024, the Metropolitan City of Florence dismissed these notices of findings. Therefore, the initial provision was decreased.

▪ Imprecise FIRs (notifications, 2022) – ONGOING

Prior to the formal conclusion of the preliminary investigation of certain company plants begun in 2016 in the context of the criminal proceedings which ended, on 7/11/2023, with the dismissal of the proceedings for all involved, on 23 March 2022 the company was presented with 27 notices of findings regarding administrative crimes relative to various top management positions for breach of article 193, paragraph 1 of TUA(Consolidated Environmental Code): transport of non-hazardous waste with waste identification documentation containing imprecise data for 50 documents; transport of non-hazardous waste without documentation; waste loading and unloading register, including hazardous waste, not maintained in full. The amount of the penalties totals € 3,069,000.00. This amount has been allocated in full to the provision for risks.
In April and June 2022, an additional 27 notices of findings for similar violations of the TUA were received.
Hence, the company has received a total of 55 notices, relative to 9 essential types of crime, for a cumulative amount of penalties requested (calculated in the reduced amount) of € 16,003,246.19.
As a jointly liable entity, the Company has appealed each of the 55 notices, both with respect to the merits and procedural issues.
Procedural appeals have been filed which, if granted, could lead to the dismissal of the penalty proceedings or a significant reduction in the penalties applied. In particular, if the cumulative judgement claim is applied, the total amount of penalties would fall to € 268,033.40.
In the light of this, it can be held that the equity risk for the Company did not increase with the notices received in April and June 2022, given that the amount of the penalties is counterbalanced by the following three facts: (i) all the notices have been appealed and, therefore, at present no definitive judgements have been issued; (ii) both the merits and procedural aspects have been contested; (iii) a possible rejection of the appeals at the administrative level could in any case be revised at the trial stage.
During 2023, no update was made with respect to the review request presented by the company and the intended recipients of the 55 total notices of findings relative to presumed violations ascertained during the preliminary investigations.

Therefore, the initial allocation to the provision of € 3,069,000.00 was left unchanged.

▪ Waste to Energy Plant (former Q.tHermo): Denial of Single Authorisation - ONGOING

To install and operate the waste to energy plant, in 2013 Q-tHermo sent the Province of Florence a request for the single authorisation, which required completion of the Environmental Impact Assessment ("EIA") and that to receive the Integrated Environmental Authorisation ("IEA").
Following the appeal of the decisions issued in 2014 and 2015, the Regional Administrative Court of Tuscany, declared the EIA decision was illegitimate and annulled the IEA in its decision 1602/2016.
The Regional Administrative Court of Tuscany's decision was then appealed by Q-tHermo with the Council of State.
The latter, with decision 3109/2018, agreed, if only partially, with the illegitimacy of the AU decree.

With decision 2165/2020, the Council of State confirmed decision 3109/2018, rejecting the appeal for revocation presented by Q-tHermo.
While the appeal for revocation was pending, Q-tHermo had also asked the Region to re-open the AU proceedings solely for the annulled portion. After this request was rejected by the Region of Tuscany, Q-tHermo filed an appeal with the Regional Administrative Court (TAR), gen. reg. no. 607/2019. On 27/09/2019, Q.tHermo supplemented this with additional justifications, followed by a brief and a response, respectively dated 16/11/2019 and 26/11/2019.
Further justifications were filed on 30/09/2022 against regional decision no. 7444/2022.
Following repeated requests to postpone the decision on the merits relative to the appeal and the subsequent briefs filed, the public hearing has been set for 06/11/2024.

- <u>Waste to Energy Plan (former Q.tHermo): Regional Reclamation Plan amended - ONGOING</u>

In 2019, Q-tHermo filed an appeal with the Regional Administrative Court of Tuscany against the deeds issued by the Region of Tuscany intended to add alternative solutions to the Case Passerini waste to energy plant for sector planning. Q-tHermo filed appeal gen. reg. no. 1292/2019 against these provisions. On 28/09/2022, a brief was filed. The hearing to present the decision, following a request to postpone the same, will be held on 06/11/2024.

- <u>REGISTRATION IN THE SHAREHOLDERS' REGISTER - ENDED</u>

During 2023, the precautionary case filed by Acque Blu Fiorentine S.p.A. against Alia ended positively and consequently Publiacqua S.p.A. registered Alia in the shareholders' register for the entire stake held, equal to 53.601% of share capital, deriving from the merger by incorporation of Acqua Toscana and Publiservizi.
During 2023, the precautionary case filed by Alia against Acque S.p.A. ended positively and, consequently, Acque registered Alia in the shareholders' register with reference to the 19.31% stake held in its share capital, acquired through the merger by incorporation of Publiservizi.

- <u>REGISTRATION IN THE SHAREHOLDERS' REGISTER - ONGOING</u>

During 2023, Alia filed a case against Toscana Energia S.p.A, currently in progress, to register its 10.38% stake in the Shareholders' Register, deriving from the merger by incorporation of Publiservizi.

- <u>ACQUISITION OF EQUITY INVESTMENT - ONGOING</u>

This was a dispute in which Alia found itself following the merger by incorporation of Acqua Toscana S.p.A., involving the appeal by Acque Blu Fiorentine S.p.A. of the declaration of the purchase of the shares it held in Publiacqua, equal to 40% of the share capital, exercised by the state shareholders of Publiacqua (including Acqua Toscana). In particular, with the writ of summons received on 23 May 2022 Acque Blu Fiorentine S.p. A. sued the company before the Court of Florence, together with Publiacqua S.p.A. and the other state shareholders of Publiacqua, asking that the illegitimacy of the request to transfer to Acqua Toscana the equity investment held by ABF in Publiacqua be ascertained and declared, ordering the state shareholders to compensate the damages caused to ABF, to be quantified during the course of the case.
At the hearing on 20/03/2024, the Judge rejected the evidential requests made by the parties and, holding the case ripe for a decision, set the hearing for the presentation of the decision for 12/09/2025.
Given that the dispute is fairly complex both in terms of law and actual events, an evaluation of the possible results of the case cannot be made. Nonetheless, the Judge's rejection of the evidential requests filed by Acque Blu Fiorentine S.p.A. and the reasoning provided for this rejection confirm the favourable assessment of Alia's requests, already present in the previous precautionary decisions.

- <u>ACQUISITION OF EQUITY INVESTMENT - ONGOING</u>

This is a dispute in which Alia found itself following the merger by incorporation of Publiservizi, filed by Acque Blu Arno Basso to ascertain the illegitimacy of the purchase option established in the shareholders' agreements and exercised by the state shareholders of Acque (including Publiservizi) to transfer the equity investment held by the same in Acque.
Holding the case ripe for a decision, the Judge has set the hearing to present the decision for 1 July 2024.

- <u>BREACH OF SHAREHOLDERS' AGREEMENT - ONGOING</u>

This is a dispute in which Alia found itself following the merger by incorporation of Publiservizi, filed by the latter together with other local public entities against Italgas S.p.A., due to the breach of shareholders' agreements signed by these parties on 28.06.2018, relative to a commitment to acquire a 3% equity investment in Toscana Energia.
The filing of the decision is awaited.

Note that for the corporate disputes mentioned above no allocations have been made to the provision for risks, in consideration of the subject of the disputes and of the assessments made by the relative attorneys with respect to the outcome of the proceedings.

- ACQUISITION OF EQUITY INVESTMENT - ONGOING

This is a dispute in which Alia found itself following the merger by incorporation of Consiag S.p.A., relative to Publiservizi S.p.A. and other entities, with the aim of having its equity investment in Acque S.p.A. recognised, equal to 1.03% of share capital.
The first two judgements were not in favour of Consiag, which lodged an appeal with the Court of Cassation against the decision issued by the Florence Court of Appeals.
The parties are formally awaiting the setting of the hearing by the Court of Cassation to issue its decision. Nonetheless, following the merger of Publiservizi and Consiag into the same entity (i.e. Alia), it is held that the requirements to continue with any claim made by Consiag against Publiservizi no longer exist.
The € 45,000.00 allocation made by Consiag to the provision for risks to pay the legal expenses has been maintained.

- SETTLEMENT AGREEMENT - ONGOING

This is a situation in which Alia found itself following the merger by incorporation of Publiservizi. Publiservizi made an allocation of € 40,000.00 which was transferred to the provision for risks of the incorporating company to cover a condition, handled through a settlement agreement between the former Publiservizi and the companies acquiring its equity investment in Bulicata S.r.l., which under certain conditions and through 30 June 2027, establishes the requirement to repurchase the equity investment for the amount of the allocation.

- FATAL ACCIDENT - (ENDED FAVOURABLY)

At the end of 2018, the first level decision in the criminal case was filed, ordering Alia, jointly with the defendants, to pay a total of € 300,000 to the heirs of the victim of the incident which occurred at the collection centre known as Maciste. During the year, despite initial resistance, Generali fully paid this amount, releasing Alia from any civil liability with respect to either the heirs or INAIL. Given that the criminal proceedings are still ongoing, with the three defendants having filed an appeal with the Florence Court of Appeals against the decision 1140/2018 issued for the first level case. The hearing to discuss the appeal was set for 18/05/2023. Following the hearing, all the defendants were fully acquitted. Therefore, the provision has been decreased.

- PUBLIC PROSECUTOR INVESTIGATION OF COMPANY PLANTS - COMPLETED AND DISMISSED

Following the completion of the preliminary investigations in 2022, on 7/11/2023 the criminal proceedings begun in 2016 by the Florence Public Prosecutor were ended with a dismissal decree. The proceedings involved employees and former employees of Alia Servizi Ambientali, some of whom were managers and directors, who were claimed, for various reasons, to have committed certain environmental crimes as part of their positions, particularly with reference to management of the plants.
The proceedings ended, for two of the positions involved, with out of court settlement payments, eliminating the criminal aspects.
Amounts allocated to the provision for risks against these disputes to cover legal expenses have been entirely utilised.

- Dispute referring to the determination of the compensation due to the outgoing operator for the natural gas distribution service Municipality of Prato Toscana Energie

Following the award of the tender for the assignment of gas distribution services in the Municipality of Prato to Toscana Energia, on 31 August 2015, Centria, Toscana Energia and the Municipality of Prato signed the network delivery report (with the related installations and assets making up the gas distribution system), with the concurrent payment by Toscana Energia to Centria of compensation for the network of € 85,538,000 plus VAT.

During the year 2016, Estra and Centria filed a lawsuit with the Court of Prato against the Municipality of Prato and Toscana Energia, in order to obtain the condemnation of Toscana Energia. Moreover, subordinate to the Municipality of Prato, they pretend the payment of € 9,613 thousand, to supplement the lesser amount provided in the call for the tender and recognized to the outgoing Centria operator for the networks delivery, in application of a contested indexation and revaluation mechanism, on the basis of the time passed between the call and the delivery of the networks.

Based on the alternative application in respect of the Municipality of Prato, there was, *inter alia*, an agreement signed by Estra and the Municipality of Prato on 17 November 2011 with which the parties had intended to settle mutual disputes concerning the amount of network compensation owed by the incoming operator to the outgoing operator, in view of Estra's commitment to pay € 7,700 thousand to the Municipality of Prato (of which, € 1,700 thousand paid on 17 November 2011).

In the proceedings pending before the Court of Prato, Toscana Energia and the Municipality of Prato, argued for the unsubstantiated nature of the proposed claim and lodged a series of counter-claims, and specifically:

- the Municipality of Prato submitted a counter-claim to obtain the payment of € 6,000 thousand due to the aforementioned settlement agreement provisions signed in 2011 to determine, inter alia, the value of the compensation due to the outgoing operator;
- Toscana Energia counter-claimed to obtain the payment of an amount of € 1,742 thousand based on an alleged different composition of the network from what had been represented by the outgoing operator.

With judgment no. 387/2020 published on 14/08/2020, the ordinary Court of Prato ordered Estra S.p.A. to pay the Municipality of Prato, the amount of € 6,000 thousand, plus interest, based on the provisions of the aforementioned 2011 settlement agreement.

Instead the Court held that the Administrative Judge had jurisdiction in responding to the lawsuit filed in 2016 by Estra and Centria against the Municipality of Prato and Toscana Energia for the payment of € 9,613 thousand and the counter-claim of Toscana Energia for recognition of the payment of € 1,742 thousand.

The settlement agreement dated 02 December 2020 provided, *inter alia*, for Estra and Centra's withdrawal of the challenge to the judgment, limited to the part ordering the payment to the Municipality of Prato. The Parties agreed on instalment-based payments for a total amount of € 6,050 thousand, including interest, in three annual instalments falling due on 31 January 2021, 31 January 2022 and 31 January 2023.

Estra and Centria appealed against the judgement on 26 February 2021 and Toscana Energia separately submitted a petition with the Appeal Court of Prato. Estra and Centria were summoned to the autonomous appeal filed by Toscana Energia, requesting the rejection of the counterparty's demands. The two appeals were merged. The first hearing for the merged proceedings was deferred to 7 May 2024.

It should be noted that in 2015 Estra and Centria had also brought proceedings before the Tuscan Regional Administrative Court to declare Directive no. 1058 of 14/05/2015 of the Municipality of Prato invalid and/or cancelled in the part where the amount for the reimbursement payable to Centria S.r.l. had been changed to € 80,903,284.00 at 31/12/2014, as the outgoing operator of the natural gas distribution service in the territory of the Municipality of Prato, with the obligation unchanged for the new concession holder to repay the outgoing operator the amount of € 4,634,110.00 for the extensions to the network undertaken in the medium term, instead of € 90,500,000.00, indicated in the invitation to tender.
The Regional Administrative Court (RAC) had legally declared the lack of jurisdiction of the administrative judge in the matter in question.
The companies had therefore decided to resume the proceedings before the Court of Prato.
The parties had presented a request to suspend such proceedings, to which Centria challenged. Instead the judge ruled to suspend the trial until the definition of the appeal proceedings of the Court of Prato judgement no. 387/2020 pending between the same parties, before the Court of Appeal of Florence. Centria and Estra decided to appeal this act before the Court of Cassation.
The Court of Cassation, in the context of said judgement on the ground of jurisdiction, ruled on 20/12/2023 that the proceedings continue before the RAC.
Therefore, a request to set the hearing for the continuation of the proceeding was presented on 30 January 2024. The Court of Prato, with ruling of 1 February 2024, set the hearing for 16/04/2024.
It should be noted that the two aforesaid joined disputes before the Court of Appeal, merged, should be suspended pending conclusion of the trial between the same parties which will resume before the RAC.

With regard to the reservations expressed by Toscana Energia on signing the networks delivery report, some of which appear to already have been accepted by the Municipality of Prato, it was deemed prudent to retain the risk provisions for € 1,752 thousand recognised in previous financial years.

- <u>Notice of liquidation of registry, mortgage and land registry taxes</u>

On 20 December 2019, Estra S.p.A. and the subsidiary Centria received notices of liquidation of registry, mortgage and land registry taxes, as well as sanctions for a total of € 435 thousand with reference to the corporate operations with which the companies Solgenera S.r.l. (now merged by incorporation into Estra S.p.A.) and Centria S.r.l. contributed on 29/09/2016 to the company Estra Clima S.r.l. business units of theirs obtaining in exchange equity investments, of 44.69% and 39.43% respectively in the share capital of the conferee. These equity investments were subsequently (on 13/12/2016) transferred to the company Es.tr.a. S.p.A.at that time already a shareholder of the said Estra Clima S.r.l. with a 15.88% stake in the share capital.

Based on the external opinions also received, on 7 February 2020, the Estra Group companies filed an appeal, considering unlawful the notices received and no provision has therefore been set aside in these consolidated financial statements. Subsequently to the submission of the appeal, the Regional Tax Commission of Arezzo, with judgment no. 210/2021 of 26 April 2021, filed on 24/05/2021, accepted the appeal by Centria and cancelled the challenged settlement notice. On 15 December 2021, the Revenue Agency submitted an appeal to the Regional Tax Commission of Tuscany.

Also in relation to Estra, the Regional Tax Commission of Arezzo, with judgements no. 420/2021, 421/2021 and 422/2021 of 26/04/2021, filed on 13/12/2021, accepted the appeal and cancelled the challenged settlement notices. The Revenue Agency submitted an appeal against the first instance decisions before the Court of Justice of second instance, which, as regards Centria and Estra (on one of the two settlement notices), ruled to reject the appeal of the Tax Revenue Office, whereas for the other settlement notice (Solgenera matter), the hearing was held on 12 February 2024 and the company awaits the outcome.

- <u>Disputes with a number of granting Municipalities in the *ope legis* management stage of the natural gas distribution service</u>

Centria S.r.l. took legal actions against the Municipality of Seravezza and the Arno Valley Municipalities (Montevarchi, Cavriglia and Figline Valdarno) on the definition of the amount of the fees due to these Municipalities for the period, after the contractual expiry, in which Centria continued and is continuing to perform the activity of natural gas distribution in a regime of *prorogatio ope legis.*
In particular, the Company, supported by its lawyers, believes that it has the right to be granted a reduction of the fees established in the concession contracts, which expired during 2016 for Serravezza or during 2014 for the Arno Valley Municipalities.

In relation to the Municipality of Serravezza, the annual concession fee of which amounts contractually to approximately € 500 thousand, on 30/09/2019 a judgement was issued with which the Court of Lucca accepted Centria's arguments, ascertaining that the Municipality was and is obliged to renegotiate the fee after the expiry of the concession in observance of the general clauses of good faith and correctness, to preserve the economic and legal balance between the parties.
Following this decision, Centria S.r.l. and the Municipality of Serravezza signed a settlement agreement in May 2020 to quantify the fee payable to the Municipality for the 2016 and 2017 financial years, setting this at a total of € 861 thousand per year.
For the years 2018 to 2021, the fee has provisionally been calculated at € 150 thousand, pending legislative/judicial clarification or notification from the sector Authority on the issue of fees post-maturity. Pending this clarification, the company has prudentially posted the contract-based fees in the financial statements.
Despite the settlement agreement, which should have ended the dispute, in December 2021 the Municipality of Seravezza requested the supplementary payment of the fees envisaged by contract reg. no. 128/2005 with reference to the period post-maturity and, notably, with reference to the years 2018, 2019, 2020 and 2021, in addition to the sums already paid by the Company.
This request was entirely contested by Centria. In response, the Municipality notified an injunction on 26 June 2022 for € 2,324 thousand, with related decree of the Court of Lucca, also requesting the granting of provisional enforcement. On 7 September 2022 Centria filed a notice of objection to the injunction notified by the Municipality of Serravezza.
In January 2024, the Judge of Lucca, believing that the company has another tool to request the recalculation of the fee in case of imbalance (revision request pursuant to art. 165, paragraph 6, Legislative Decree no. 50/2016), rejected the objection and ordered Centria to pay the sum subject to the injunction (plus interest), minus € 150 thousand as the fee paid for 2022, with full compensation of expenses.
The company resolved to challenge the judgement of the Court of Lucca and to submit a request for recalculation of the fee administratively pursuant to art. 165, paragraph 6, Legislative Decree no. 50/2016.

Taking account of the aforementioned developments, the company has continued to record the cost for the entire fee in the financial statements.

In relation to the Arno Valley Municipalities, the annual concession fees of which amount contractually to approximately € 2,200 thousand, a dispute launched by Centria in relation to the said Municipalities is still ongoing, having concluded the arbitration procedure, with partial awards issued in September 2019 and January 2020, which did not resolve the dispute and subject to appeals, and with a final award issued in May 2022.
With the final ruling of May 2022, the Board accepted the demands of the Municipalities and what had been requested in their counter demand, namely € 3,300 thousand to be divided between the three Municipalities according to an undefined criterion.
Centria then appealed against the final award of May 2022 before the Court of Appeal of Rome.
The first hearing was held on 14/06/2023, also concerning the discussion of the request for suspension.
In the meantime, Centria initiated administrative proceedings to revise the economic conditions for economic/financial rebalancing requirements of the relationship (art. 165, Legislative Decree no. 50/2016).
Pending the hearing for appeal of the judgement, on 27/10/2023, with a single pre-legal collection notice, the said Municipalities ordered Centria S.r.l. to pay the total sum of € 4,161 thousand.
Centria then filed a summons before the Court of Florence in opposition to the collection notice, with request to suspend the enforceability of the ruling. The Court temporarily suspended the enforceability of the ruling (and of the collection notice) and reserved its decision on the confirmation of such suspension requested by Centria.
The hearing for the appeal against the final ruling has been postponed several times, pending the outcome of the review of the request for recalculation, as well as the outcome of the interlocutory stage of the objection to the collection notice (conditional) and postponed until 14/02/2024.
At the hearing on 14/02/2024, the measures with which the Municipalities rejected the request to review the fee administratively were lodged.
Assisted by its lawyers, though the company believes that it has the right to a recalculation of the fees for the years following the contractual expiry, in light of the recent developments described above, it decided, in line with previous financial years, to continue recording the cost of the fee for the entire amount as envisaged by contract.

It is noted further that on 28/12/2020, Centria S.r.l. received a summons to appear before the Court of Arezzo from the Municipality of Arezzo, with the demand for arrears on the concession fees for 2014 to 2019, for a total of € 3,131 thousand, plus interest and monetary revaluation.
The demand is based on the assumption, contested by Centria S.r.l., of an existing agreement (formulated on the basis of an exchange of correspondence) whereby the company was obliged to pay an annual fee determined on a fixed amount of € 984 thousand as from 2011 and up until the European tenders pursuant to Art. 14 of Italian Legislative Decree 164/2000 are awarded.
It is noted that the distribution of natural gas in the Municipality of Arezzo, relating to the original public management of the service in an association format, has lapsed with the application of the sector transition regime and is managed by Centria S.r.l. *ope legis* post expiry in the absence of a contract.
The Board of Directors believed that the Municipality's claim could be legitimately opposed, and has therefore made no allocation to any risk provisions regarding this dispute.
On 27 September 2023, the Court of Arezzo legally rejected all requests filed by the Municipality of Arezzo against Centria S.r.l. and ordered the Municipality to reimburse the costs of the proceedings.
On 5 February 2021, the Municipality of Valenzano served notice of the start of summary proceedings pursuant to Art. 702*bis* of the Italian Code of Civil Procedure, aimed at obtaining judgment against Murgia S.r.l. to pay the fees past their due date for the period 2019-2020 for approximately € 326,000, plus approximately€ 108,000 in penalties.
This refers to an expired concession contract arising from a tender conducted pursuant to Art. 14 of Italian Legislative Decree no. 164/2000, which contemplates a fee equalling 53% of the location revenue tariff (at the time, VRD).
In the absence of the Entity's availability to reformulate the fee, the Company paid amounts commensurate to the criteria applicable to new tenders, in accordance with tariff regulations, estimating a breakdown between the Municipality and Operator (remuneration of invested capital for the municipality owned portion).
On 13/04/2023, the Judge noted the need for a technical report (CTU) and, at the same time, invited the parties to attempt an amicable settlement.
In light of the Municipality's refusal of the settlement proposal formulated by the company for disputes involving ownership of the infrastructure, at the hearing on 14/02/2024 the parties jointly requested the

technical report (CTU) and established a discussion table with the executive/competent official of the Municipality and with the advisor, to analyse the matter of the allotment of the ownership and the residual value of the investments of Murgia.
Albeit believing that it has the right to a recalculation of the fee, given the legislative uncertainty, the company has continued to record the entire amount of the contractual fee in the financial statements.

In the context of disputes with Municipalities linked to the payment of the concession fee for the natural gas distribution service, in relation to the dispute between the Municipality of Mosciano Sant'Angelo and Edma Reti Gas S.r.l., arising in relation to payment of the fees due to the Municipality by virtue of the "Public service contract for distribution of methane gas in the municipal territory", signed on 23/06/2014 between the Municipality of Mosciano Sant'Angelo and Coingas S.p.A., the title for which Edma Reti Gas S.r.l. subsequently took over and continued to manage the service under *ope legis* mandatory management, limited to ordinary administration, it should be noted that an arbitration procedure was carried out, resulting in the issue of the arbitration award on 20/09/2019, which endorsed the principle of the right held by Edma, for which the fee must be reconsidered in the post-expiry transition phase of the concession.
The Municipality of Mosciano Sant'Angelo, nevertheless awaiting attempts at reconciliation regarding the exact residual amount to be paid following the results of the award, with summons notified on 16/12/2019, brought appeal proceedings of the arbitration award before the Court of Appeal of Aquila (gen. reg. no. 1375/2019).
Edma Reti Gas consequently entered an appearance.
In the meantime, despite the fact that the Municipality continues to request fees for an amount higher than what was established in the contested ruling, Edma is instead paying what is envisaged in the ruling, since this is effective despite the appeal of the Municipality.
On 15/12/2023, the filing of the ruling of 30/11/2023 was communicated, which upheld the appeal of the Municipality and rejected the cross-appeal of Edma.
In brief, the Court considered the fee envisaged by the expired contract as due. It did not rule out the possibility of a review of the fee, but only in the future and through the remedy set out by art. 165 of Legislative Decree no. 50/2016 (indicated by the Constitutional Court in the dispute between Centria and the Arno Valley Municipalities, with ruling issued only during the proceedings), in the sole circumstance of "proven contractual imbalance".
Despite Edma having also submitted a request to recalculate the fee, referring to all relevant provisions (including art. 165), the Court held that the specific instrument had not been activated; furthermore, the Arbitrators, according to the Court, had wrongly indicated as due for the transitional phase a different fee than the one envisaged in the expired contract, without acquiring concrete proof of actual imbalance.
The order is for a sum equal to the difference between what was paid and the amount of the contractual fees (October 2016 – December 2017), in addition to default interest (pursuant to Legislative Decree no. 231/2002) and the legal expenses, as per the operative part of the judgement.
The company submitted an appeal before the Court of Cassation against the judgement of the Court of Appeal, and is also considering filing a request for recalculation of the fee administratively. Given the uncertainty concerning the outcome of the objection and, in light of the aforementioned developments, the company continued to recognise the full fee in the financial statements.

The Municipality of Ancona, with executive notice sent to Edma Reti Gas on 8 February 2023, also determined, unilaterally and authoritatively, in the absence of reconciliation between the parties, which had been debating the topic of the extent of the fee for some time, especially after ARERA resolution 570/2019/gas, the concession fee for the natural gas distribution service in the municipal territory for the years 2021, 2022, 2023, in the context of the *ope legis* management period of the service following expiry of the concession.
With subsequent notice, Edma then requested the withdrawal of the decisions made by the Authority with the notice dated 8 February, and, constructively, the reopening of discussions, by the end of March 2023, giving advance notice of a judicial process on the contrary, which then became necessary following the silence maintained by the Municipal Administration and sending of the contested notice.
The appeal filed before the Ancona RAC and notified in April 2023 requested the invalidity or voidability of the notices of the Municipality, both the one in February 2023 and previous ones from 2022, in order to ascertain the absence, in relation to the contestant company, of the obligation to pay the Municipality of Ancona the fee for the natural gas distribution service in the amount unilaterally and authoritatively determined by said Municipality in the notice of February 2023 for the years 2021, 2022, and 2023, equal to 42.5% of the VRD.
An appeal was filed based on additional reasons against further confirmatory notices issued by the Municipality of Ancona. The hearing has not yet been set.

Given the uncertainty concerning the outcome of the objection, the company continued to recognise the full fee in the Financial Statements.

- Formal tax audit report issued in respect of Coopgas S.r.l. and subsequent notices of assessment

On 19 December 2017, the Finance Police [Guardia di Finanza] of Modena issued a formal tax audit report ["processo verbale di constatazione (PVC)"], against Coopgas S.r.l., a company acquired by the Group in February 2016 and subsequently merged by incorporation into Estra Energie S.r.l., whereby it formulated findings referring to (i) the alleged inaccuracy of the IRES and IRAP tax returns for the deduction of costs relating to non-existent transactions for € 195 thousand during 2014 and sponsorship costs deemed to be non-deductible donations for € 325 thousand in 2015, and (ii) the non-deductible VAT on the invoices for non-existent costs for about € 43 thousand, with reference to 2014.

The findings relating to 2014 gave rise to a report to the judicial authorities against the company representative at the time for having committed the action, since, according to the Finance Police, the documentation for the costs consisted of invoices relating to non-existent transactions.

It should be noted that the PVC is an act occurring during the course of proceedings and does not involve the penalties that could be imposed by the tax authorities when issuing an order confirming the PVC criteria, and consequently does not allow us to accurately quantify the risk related to the claim. Based on the findings and documentary evidence in the PVC, the Group has estimated the tax at around € 211 thousand and about € 401 thousand for the maximum penalties that could apply with the tax assessment.

Considering that there are not sufficient elements to initiate a dispute and challenge the above findings (related to conduct dating back to financial periods prior to the acquisition date of Coopgas), the Group believes it is plausible to accept the assessment notices, which in terms of the ordinary deadlines, should be notified by 31 December 2023, failing which they lapse. The Group has therefore set aside € 350 thousand in the consolidated financial statements at 31 December 2017 to cover the probable expense for taxes and penalties, with the latter reduced by one third as provided for in the case of acceptance of the assessment notices.

In 2019, based on the assessment notices issued for 2014 relating to IRES, IRAP and VAT, a total of € 132 thousand was paid in total for taxes, penalties and interest, by accepting the assessment notices.

Given that what was paid to settle the findings relating to 2014 does not diverge substantially from the provisions set aside at 31 December 2017, and considering that no notices have currently been received for 2015, the residual provision for € 218 thousand is deemed appropriate.

- Notice of assessment on deductibility of goodwill

In June 2018, the Regional Tax Office [DRE] for Marche served Prometeo with an assessment notice for 2014, where the main finding referred to the derecognition for IRES, IRAP and Robin Tax purposes of the amortisation, quantified at € 148 thousand, applied to goodwill for around € 6,690 thousand, acquired on the basis of a business unit contribution operation.

Essentially, the tax authorities deem that in a business unit contribution operation the goodwill recognised by the transferee is always irrelevant for tax purposes, even when as in the case in question, the transferor transfers goodwill that is not subject to taxation.

In March 2020, the first-instance hearing was held and the Group received a favourable judgement. On 22 October 2020, the Regional Tax Commission submitted an appeal application in the second instance. In January 2021, Promoteo submitted the relevant rebuttal arguments to the appeal application.

In the scope of the tax mentorship undertaken with the Regional Tax Department in the Marches region, the above finding was also re-proposed for tax years after 2014. Specifically, with regard to the 2015 tax year, the Marches DRE issued additional assessment notices, in which respect Prometeo S.p.A. submitted an appeal on 20 July 2021. The 2015 references also had judgments that become definitive with the Provincial Tax Commission of Ancona, on 23 November 2021, the Commission handed down another judgment in favour of the Group.

On 30 March 2022, the DRE Marches issued another assessment notice referring to the same case as above, for the year 2016. Additionally, in reference to the proceedings of first instance for the year 2016, the tax court of first instance of Ancona handed down a judgement in favour of Prometeo S.p.A. on 7 November 2022.

Lastly, on 31 July 2023, an assessment was also notified by the Marche Regional Tax Office (DRE) for the year 2017 with reference to the same matter of goodwill. The Group lodged an appeal, which was heard on 21 February 2024, pending the decision by the Tax Court of First Instance.

Pending the undertaking of legal action, the Group is continuing with its defence in the various instances still open, as described above

Supported by its consultants, the Group believes the allegation raised on the tax recognition of this goodwill to be unfounded; therefore, no provision has been made against the risks deriving from losing the dispute.

- Dispute referring to the electricity surcharges pursuant to Italian Decree Law 511/1988

On 23 October 2019, in its judgement no. 27101, the Court of Cassation stated the legal principles whereby provincial surcharges are not applicable to excise duties on electricity as per Art. 6 of Italian Decree Law 511/88, in the applicable version, *ratione temporis*, subsequent to the amendments introduced by Art. 5, section 1 of Italian Legislative Decree no. 26/2007. The judgement confirmed the non-application of the regulation in question, deeming it contrary to Art. 1, paragraph 2 of Directive 2008/118/EC of 2007, also following the interpretation provided by the EU Court of Justice ratified by specific judgements.

Even though in the scope of other pending proceedings, the Court of Cassation rejected the claims for reimbursement submitted by end consumers in respect of Customs Offices, in this case, finding the lack of passive legitimacy on the part of the end customer, as they are extraneous to the tax relationship established between the financial administration and the vendor company that acts as a withholding agent. In the aforementioned decisions, the Supreme Court nonetheless provided the end customer with the option of “conducting a civil case referring to the recovery of amounts unduly paid, directly in respect of the service provider”.
Based on these pronouncements, electricity vendor companies are receiving a series of reimbursement demands from end customers, referring to amounts unduly paid for the provincial surcharges for the years 2010-2012 as these do not yet fall within the term of prescription provided for a civil action. It should be remembered further that the provincial surcharge for excise duty on electricity was applicable until its cancellation on 31 March 2012, in terms of Italian Decree Law no. 16/2012, and was applied to electricity usage up to 200,000 KWh monthly.

With regard to the demands for reimbursement of undue payments that could result in civil litigation, the supplier is essentially obliged to oppose the reimbursement claims made by end consumers, as it will be impossible to obtain a reversal from the Customs Agencies. Should the supplier acquiesce to the demands of its customers, the reversal operation in respect of the Financial Administration would become impossible, given the provisions under Art. 14, paragraph 4 of the Consolidated Excise Duties Text, which strictly sets the deadline to reimburse what has been paid at two years from the time of payment. Otherwise, the assumption of the civil court ordering the supplier to make the reimbursement, again on the basis of Art. 14, paragraph 4 of the Consolidated Excise Duties Text, requires the taxpayer to request the refund from the Financial Administration within ninety days of the civil court judgement becoming final, imposing the return of the amounts paid.
Even though this mechanism could generate advances paid to the end consumer by the supplier, when ordered to refund the payment, it theoretically excludes the risk of a liability for the vendor company, because the amounts that will be reimbursed by suppliers would be recovered based on subsequent compensation action in respect of the Tax Authority.

The first hearings were held in the Civil Court during 2021, opposing the requests for refunds received from certain customers. Given that the position is wide open to interpretation, and in the absence of consolidated case-law, the Courts involved up to now in the individual matters, are adopting different approaches to the matter at hand. At the date of this document, pending the action relating to the claims for damages that have already become definitive in the first instance, during 2023, the Group repaid 8 customers that had put forward a request before the Court, for a total of approximately € 81 thousand. For these amounts, during 2023 the Group presented a specific claim for reimbursement to the respective Customs Agencies in the relevant territories.

To date, with regard to the above, given that the applications for refunds to the vendor companies involved in other specific cases, have been accepted by certain territorial Customs Agencies, the Group did not deem it necessary to make a specific allocation to the risk provisions.

- Proceedings related to the appointment of Mr Macrì to the Board of Directors of Estra S.p.A.

On 27 May 2021, ANAC (Italian Anti-corruption Authority) notified Estra S.p.A. and other parties that it had initiated proceedings with regard to the appointment of Mr Francesco Macrì as Chairman of the Company. The proceedings were initiated in order to ascertain whether the appointment of Mr Macrì to the Board of Directors was subject to the prescriptions pursuant to Italian Legislative Decree no. 39 of 8 April 2013 referring to appointments with the public administration and entities under public control ("Decree 39") , and if subject to these requirements, whether any non-compliance had occurred. More specifically, the investigation relates to Mr Macrì's potential ineligibility as a member of the Board of Directors of Estra S.p.A. at the time of his appointment, based on his recent appointment as municipal councillor for the Municipality of Arezzo.
On 22 November 2021, ANAC notified Estra S.p.A. of its decision to cancel the appointment of Mr Francesco Macrì as Chairman of Estra S.p.A. with immediate effect.
On 26 November 2021, the Board of Directors resolved to challenge the decision of ANAC before the relevant courts. More specifically, the Directors believe that Decree no. 39 should not apply to Group companies. The Decree refers mainly to the appointment of directors and officials, on the assumption that, supported by legal advice received, that Estra S.p.A. does not qualify as a company under public control in pursuant to this legislation.
With judgement no. 13057 of 13/10/2022, the Regional Administrative Tribunal of Lazio rejected the appeal lodged by Estra S.p.A. against ANAC in relation to Francesco Macrì, Coingas S.p.A. and the Municipality of Arezzo for the cancellation of Resolution no. 744 of 10 November 2021 adopted by ANAC and any other preliminary, connected and/or consecutive measures.
Assisted by its lawyers, the company appealed the aforementioned judgement to the Council of State and the hearing took place on 4 April 2023.
With judgement no. 470/2023 of 21 August 2023, the Council of State rejected the appeal presented by the company Estra S.p.A. against the judgement of the RAC Lazio no. 13057 of 13/10/2022.

The proceedings have not had an effect on these consolidated financial statements.

15.5. Public funding received

With reference to the new aspects introduced by Law no. 124 of 4 August 2017 "Annual competition law", under Art. 1 para. 125-129, excluding the amounts received as payment for supplies and services rendered, during 2022, the Group received the following contributions from public Entities. (amounts in euros).

Beneficiary	Granting entity	Contribution	Amount Collected
Alia Servizi Ambientali SpA	Municipality of Prato	European Redol Project	43,718
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	9,395
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	4,944
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	5,401
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	8,549
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	10,735
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	10,735
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	8,812
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	9,962
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	9,047
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	10,190
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	9,411
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	11,380
Alia Servizi Ambientali SpA	Gestore Servizi Energetici Spa	Incentive Tariff - FTV Agreements	5,641
Alia Servizi Ambientali SpA	Ato Toscana Centro	Pap Contribution Florence Area Municipalities	524,827
Alia Servizi Ambientali SpA	Ato Toscana Centro	CDR Contribution	112,041
Alia Servizi Ambientali SpA	Ato Toscana Centro	Pap Contribution Florence Area Municipalities	280,000
Alia Servizi Ambientali SpA	Ato Toscana Centro	Contributions, Municipality of Fisole	75,173
Alia Servizi Ambientali SpA	Ato Toscana Centro	Contributions Municipality of Signa and Greve in Chianti	256,000
Alia Servizi Ambientali SpA	Ato Toscana Centro	Contributions, Municipality of Impruneta and San Casciano	104,000
Ambiente Toscana Opco SpA	Ministry of the Economy and Finance	Tax Credit on Energy Consumption Q4 2022 (Art.1 par. 1, Decree Law 176/2022)	1,387

Beneficiary	Granting entity	Contribution	Amount Collected
Ambiente Toscana Opco SpA	Ministry of the Economy and Finance	Tax Credit on Energy Consumption Q1 2023 (Art.1 par. 3, Law 197/2022)	1,596
Revet SpA	Revenue Agency	Diesel Excise Autotransport (Q1 2023).	36,620
Revet SpA	Revenue Agency	Diesel Excise Autotransport (Q2 2023).	39,766
Revet SpA	Revenue Agency	Diesel Excise Autotransport (Q3 2023).	38,113
Revet SpA	Revenue Agency	Diesel Excise Autotransport (Q4 2023).	35,088
Revet SpA	Tuscany Region	Emilia Romagna Employee Volunteer Hour Reimbursement	1,443
Revet SpA	Fondimpresa	2022 Training	12,168
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Energy Consumption Q3 2022 (Art.6 par. 3, Law 115/2022)	1,525
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Gas Consumption Q3 2022 (Art.6 par. 4, Law 115/2022)	222
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit Energy Consumption Oct-Nov 2022 (Art.1 par. 3, Law 144/2022)	1,693
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit Energy Consumption Oct-Nov 2022 (Art.1 par. 4, Law 144/2022)	721
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Energy Consumption Dec. 2022 (Art.1 par. 1, Decree Law 176/2022)	1,502
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Gas Consumption Dec. 2022 (Art.1 par. 1, Decree Law 176/2022)	1,000
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Energy Consumption Q1 2023 (Art.1 par. 3, Law 197/2022)	4,049
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Gas Consumption Q1 2023 (Art.1 par. 5, Law 197/2022)	1,717
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Energy Consumption Q2 2023 (Art.4 par. 3, Law 34/2023)	817
AER - Ambiente Energie Risorse SpA	Ministry of the Economy and Finance	Tax Credit on Gas Consumption Q2 2023 (Art.4 par. 5, Law 34/2023)	188
AER - Ambiente Energie Risorse SpA	Municipality of Reggello	Free Rent Il Poderino Collection Centre, Reggello	5,626
AER - Ambiente Energie Risorse SpA	Consap Spa	Tax Credit on Diesel Consumption Q1 2022	10,929
Centria S.r.l.	Municipality of Bibbiena	Plants account contribution (Gas distribution connections)	10,120
Centria S.r.l.	Publiacqua S.P.A.	Plants account contribution (Gas distribution networks and connections)	95,122
Centria S.r.l.	Municipality of Murlo	Plants account contribution (gas distribution networks)	134,059
		Total	**1,945,431**

15.6. Transactions with related parties

Alia and the Group companies carry out transactions with related parties based on principles of transparency and correctness. These transactions generally relate to services provided to all customers and are governed by contracts and conditions normally applied in these situations.

If they are not services of the current type, the transactions are in any case governed on the basis of the normal conditions applied on the market.

The tables below show the economic and asset transactions during the period ended 31 December 2023 with related parties.

- Economic transactions

Related party /Accounting Item (€ thousands)	Revenue from sale of goods and services	Other operating revenue	Other Income	Consumption of Raw Materials and Consumables	Costs for services	Other operating costs	Personnel costs	Financial income
Municipality of Florence	95,833	1			6	564		
Municipality of Prato	39,356				429	243		
Municipality of Pistoia	21,128				191	28		
Municipality of Empoli	1					37		
Municipality of Scandicci	9,788					4		
Municipality of Sesto Fiorentino	10,921				191	53		

Related party /Accounting Item (€ thousands)	Revenue from sale of goods and services	Other operating revenue	Other Income	Consumption of Raw Materials and Consumables	Costs for services	Other operating costs	Personnel costs	Financial income
Municipalities Shareholders Related Parties:	**177,027**	**1**			**817**	**929**		
Real Srl	8,323	12			2,191		7	
Al.Be Srl	-	30						
Publiacqua Spa	484	55			1,043	2		
Nuova Sirio Srl	5	3						
Companies subject to joint control	**8,811**	**100**			**3,234**	**2**	**7**	
Toscana Energia Spa	7							
Acque2o Spa								
Irmel Srl					4			
Valdisieve Scrl								
Acque Spa	48	3			238	1		
Sea Risorse Spa	-147							
Vetro Revet Srl	10,467	701	3	77	1,094	1		
Blugas Infrastrutture Srl	-	8						137
Sig Spa	253	47			-3		8	1
Aes Fano Distribuzione Gas Srl	73	73			-654	1	9	13
Sei Toscana Srl	14,345	12	1		312	5	82	
Immogas Srl								
Associates	**25,047**	**844**	**4**	**77**	**991**	**8**	**99**	**151**
Total	**210,885**	**945**	**4**	**77**	**5,042**	**939**	**106**	**151**
Percentage incidence on corresponding FS item	**22.26%**	**2.97%**	**0.03%**	**0.02%**	**1.31%**	**6.29%**	**0.07%**	**1.46%**

Asset transactions

Related party /Accounting Item (€ thousands)	Current trade receivables	Non-current trade receivables	Other non-current assets	Current financial assets	Non-current financial assets	Trade payables	Other current liabilities
Municipality of Florence	26,478						1,012
Municipality of Prato	9,704		2				907
Municipality of Pistoia	14,500			1			288
Municipality of Empoli	50		52				93
Municipality of Scandicci	2,232						1,054
Municipality of Sesto Fiorentino	2,438			1			290
Municipalities Shareholders Related Parties:	**55,403**		**55**	**2**			**3,644**
Real Srl	2,764		501			582	
Al.Be Srl	25						
Publiacqua Spa	217		6		52	126	
Nuova Sirio Srl	17				230		
Companies subject to joint control	**3,023**		**507**		**282**	**708**	
Toscana Energia Spa	4		2,703				
Acque2o Spa							
Irmel Srl						4	
Valdisieve Scrl							
Acque Spa	13	63	965		4	94	
Sea Risorse Spa	130					353	
Vetro Revet Srl	3,325					292	
Blugas Infrastrutture Srl	2,047				4,153		
Sig Spa	269						
Aes Fano Distribuzione Gas Srl	461				490	146	
Sei Toscana Srl	10,579				10	1,641	
Immogas Srl							
Associates	**16,828**	**63**	**3,668**		**4,657**	**2,529**	
Total	**75,253**	**63**	**4,230**	**2**	**4,939**	**3,237**	**3,644**

Related party /Accounting Item (€ thousands)	Current trade receivables	Non-current trade receivables	Other non-current assets	Current financial assets	Non-current financial assets	Trade payables	Other current liabilities
Percentage incidence on corresponding FS item	**13.91%**	**11.45%**	**87.19%**	**0.03%**	**21.94%**	**0.78%**	**1.65%**

15.7. Emoluments to directors, statutory auditors and independent auditors

The table below shows the emoluments to directors, statutory auditors and independent auditors for 2023 and 2022.

Beneficiaries	Year ended 31 December 2023 (amounts in thousands of euros			Year ended 31 December 2022 (amounts in thousands of euros)		
	At the parent company	At other Group companies	Total	At the parent company	At other Group companies	Total
Directors	356	623	979	107	226	332
Board of Statutory Auditors	66	292	358	38	53	92
Independent Auditors	326	54	380	196	29	225

The table below shows the fees paid for 2023 to the independent auditors and entities falling within its network, including the "other services" provided to Alia Servizi Ambientali and its subsidiaries by the independent auditing firm PricewaterhouseCoopers S.p.A. and the members of its network. No appointments were given to PricewaterhouseCoopers S.p.A. that are not permitted in terms of application legislation.

Type of service	Recipient	Notes	Fees, accruing 2023
Audit	Parent company - Alia Servizi Ambientali SpA	**A**	289,440
	Subsidiaries	**B**	54,000
Certification services	Parent company - Alia Servizi Ambientali SpA	**C**	26,110
	Subsidiaries		-
Other services	Parent company - Alia Servizi Ambientali SpA	**D**	10,000
	Subsidiaries		-
Total		**379,550**	

A: Fees for the independent auditing of the consolidated financial statements and annual financial statements of Alia Servizi Ambientali SpA and for periodic auditing.
B: Fees for the independent auditing of the subsidiaries Revet SpA, Programma Ambiente Apuane SpA, AER Ambiente Energia Servizi SpA, Ambiente Toscana Opco SpA and for the relative periodic audits.
C: Fees for the limited auditing of the Non-Financial Statement for Alia Servizi Ambientali SpA
D: Fees for the verification of the translation of the financial statements.

15.8. Significant events after the reporting date

No significant events occurred after the reporting date.

Authorisation to publish
This document was approved by the Board of Directors of Alia Servizi Ambientali S.p.A. on 11/04/2024 and published on 06/05/2024, with authorisation from the Chairman and Chief Executive Officer.

For the Board of Directors

The Chairperson
Lorenzo Perra

Chief Executive Officer
Alberto Irace

16. Certification of the Consolidated Financial Statements pursuant to article 81-ter of CONSOB Regulation 11971 of 14 May 1999, as amended

1. The undersigned Alberto Irace, in his position as Chief Executive Officer and Demetrio Mauro, in his position as the Financial Reporting Manager for Alia Servizi Ambientali S.p.A., declare, taking into account that established in article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

   - its adequacy in relation to the company's characteristics (also taking into account any changes occurring during the year) and
   - the effective application of the administrative and accounting procedures when preparing the consolidated financial statements as at 31 December 2023.

2. To that end no issues have arisen.

3. They also declare that the consolidated financial statements:

   a) were prepared in compliance with the applicable international accounting standards recognised by the European Community in line with Regulation (EC) 1606/2002 of the European Parliament of 19 July 2002;

   b) correspond to the results found in the company's records and accounting entries;

   c) are able to provide a true and accurate representation of the issuer's equity, economic and financial situation, as well as a description of the main risks and uncertainties to which it is exposed.

Florence, 11 April 2024

Chief Executive Officer	Financial Reporting Manager
(Signed)	(Signed)
....	....

17. Report of the Auditing Firm on the Consolidated Financial Statements at 31/12/2023

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**INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014**

ALIA SERVIZI AMBIENTALI SPA

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2023**

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Alia Servizi Ambientali Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Acquisition of control over Estra SpA *Explanatory notes to the consolidated financial statements as of 31 December 2023: note 11.2 "Acquisition of a controlling interest in Estra SpA"* The valuation and recognition process regarding the acquisition of control over Estra SpA required management to carry out analyses on the methods to acquire the control which occurred following the execution of a shareholders' agreement with another shareholder of Estra SpA. This process also required management to use estimates with particular reference to the identification and related fair value measurement of the identifiable assets acquired and identifiable liabilities assumed together with the recognition of goodwill, on a residual basis. As part of our audit we paid special attention to the valuation and recognition process related to the acquisition in question performed by management due to the significance of the transaction and the estimation elements inherent in the directors' evaluation.	We performed a desk review of the transaction documents, held discussions with management and performed an understanding and assessment of the methods adopted by management for the identification and fair value measurement of the identifiable assets acquired and identifiable liabilities assumed. Furthermore, we analysed the recognition of the transaction in accordance with *"IFRS 10 – Consolidated Financial Statements"* and *"IFRS 3 – Business Combinations"* adopted by the European Union, with particular reference to the methods to acquire control, to the identification of the acquirer, to the determination of the date of acquisition, and of the consideration transferred. We also verified the accuracy of the fair value of the identifiable assets acquired, of the identifiable liabilities assumed, and of the recognition of goodwill, on a residual basis. Such activities were performed with the involvement of PwC network experts. Our checks included the analysis of the explanatory notes to the consolidated financial statements in order to assess the accuracy and completeness of the disclosures related thereto.
Goodwill *Explanatory notes to the consolidated financial statements as of 31 December 2023: note 14.6 "Goodwill".* Goodwill is accounted for in the consolidated financial statements as of 31 December 2023 for an amount of Euro 67.6 million which represents 2.3% of the Group's assets, attributable in the amount of Euro 60.2 million to the cash generating unit named *"Gas and electricity sales"*.	As part of the checks on Goodwill allocated to the cash generating unit named *"Gas and electricity sales"*, we obtained an understanding and assessed the procedures adopted by management for the purpose of verifying the compliance with the requirements of *"IAS 36 – Impairment of Assets"* adopted by the European Union, verifying also the reasonableness of the assumptions used by the directors to determine the value in use, including those used to estimate the expected future cash flows over the relevant time horizon and arising from Business Plan for the 2024-2028 period.

The evaluation of the recoverability of goodwill in accordance with *"IAS 36 – Impairment of assets"* adopted by the European Union, required management the use of estimates to determine the value in use, with particular reference to the methods to determine the expected future cash flows, the construction of the discount rate and perpetuity growth rate of the cash flows beyond the time horizon of the Business Plan. In this respect, the directors deemed it appropriate to carry out also sensitivity analyses which took into account lower profitability levels than those identified in the Plans approved by the directors of the subsidiaries and parent company. As part of our audit we paid special attention to the valuation process related to this caption performed by management, in consideration of the significance of this caption and the estimation elements inherent in the directors' evaluation.	We verified the correct allocation of the carrying amount of the assets and liabilities that can be directly allocated to the cash generating unit named *"Gas and electricity sales"* and checked the mathematical accuracy of the computations prepared by management. We verified the construction methods of the discount rate and perpetuity growth rate of the cash flows beyond the time horizon of the Business Plan approved by the parent company's directors on 11 April 2024 together with any impairment loss (impairment test). Additionally, we analysed the alternative scenarios prepared by the directors (sensitivity analysis). Finally, we performed independent sensitivity analyses with regard to the significant assumptions adopted by the directors when verifying the existence of any impairment loss of goodwill. These activities were performed involving PwC network experts. Our checks included the analysis of the explanatory notes to the consolidated financial statements in order to assess the accuracy and completeness of the disclosures related thereto.
Recognition of revenues accrued for the sale of gas and electricity not yet billed at 31 December 2023 *Explanatory notes to the consolidated financial statements as of 31 December 2023: note 12.1,"Revenue"; note 7 "Significant accounting estimates".* Revenue from sales comprises the estimated revenue accrued in relation to gas and electricity consumed by customers and not yet billed at 31 December 2023, in addition to revenue accrued and already billed to customers on the basis of pre-set meter reading schedules to track actual or estimated consumption during the year. The estimation of revenue accrued and not yet billed is accounted for within receivables from customers as an accrual for invoices to be issued which also include the residual accruals related to previous years.	We analysed the procedure and significant controls, including IT controls, implemented by the main Group companies in respect of the recognition of revenues from the sale of gas and electricity and carried out tests of compliance on significant controls, such as checks of actual and estimated consumptions billed to customers. We also performed a desk review on a sample of data used by management to determine revenues accrued but not yet billed, including checks on the information provided by carriers on the volumes input into the distribution grid, on the data extracted from the IT systems and a review of the calculations.

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The recognition of revenue accrued but not yet billed implies processes and methods to evaluate and calculate estimates based on sometimes complex assumptions. As a matter of fact, the methods used by the Group to estimate consumptions between the date of each customer's last meter reading and 31 December, and thus those to measure accrued revenues, are based on complex calculation assumptions and algorithms, which involve a combination of data extracted from IT management systems and off-balance sheet data. Specifically, the estimation of revenues accrued but not yet billed is determined as the difference between consumption already billed to customers and within the year-end and the gas and electricity quantities input into the distribution grid, measured according to the data made available at the end of the year by carriers, subject to potential revisions in subsequent periods as provided for in the applicable legislation, as well as according to internal forecasts on customer consumptions. This difference is measured, depending on the type of customer, on the basis of the incidence of relevant volumes already billed and corresponding average tariff in place in the year. As part of our audit we paid special attention to the valuation process related to this caption performed by management, in consideration of the significance of this caption and the estimation elements inherent in the directors' evaluation.	We critically examined the assumptions used by management vis-à-vis the previous year, and compared the previous years' estimates with actual data subsequently obtained, and analysed deviations in order to support the reliability of the current estimation process. Our checks included the analysis of the explanatory notes to the consolidated financial statements in order to assess the accuracy and completeness of the disclosures related thereto.
Provisions for post-closure landfill management *Explanatory notes to the consolidated financial statements as of 31 December 2023: note 14.23 "Provisions for risks and charges"* The provisions for post-closure management of company-owned landfills recognised within the liabilities of the statement of financial position of the consolidated financial statements at 31 December 2023 amounted to Euro 31 million, which represented 1.80% of the Group's liabilities. Such amount was determined by the directors on the basis of the applicable accounting standards, in particular in accordance with *"IAS 37 - Provisions, contingent liabilities and contingent assets"* adopted by the European Union and with the current	We carried out an understanding and evaluation of the procedure adopted by the Group for the determination of the accruals to the provisions for post-closure landfill management. We verified that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003. Moreover, we obtained and analysed, through discussions with the Group's personnel, the external appraisal reports used by management to determine the above-mentioned provisions and then we verified that the data contained in the reports had been adequately used for the determination of the accruals through the discounting process

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provisions of law (Legislative Decree 36/2003) supported by external independent professionals for estimating the expected cash flows related to such provision. Given the significance of the amounts under analysis and the use of estimates made by management to verify the compliance with the requirements under "*IAS 37 - Provisions, contingent liabilities and contingent assets*" adopted by the European Union, we paid special attention to reviewing the liabilities at issue.	under "*IAS 37 - Provisions, contingent liabilities and contingent assets*" adopted by the European Union. We also verified the reasonableness and adequacy of the discount rate used by the directors to calculate the amount of the provision recognised in the financial statements. Finally, we verified the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Alia Servizi Ambientali SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

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Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 16 February 2017 and 20 December 2017 respectively, the shareholders of Alia Servizi Ambientali SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Alia Servizi Ambientali SpA are responsible for preparing a management report and a report on corporate governance and the ownership structure of the Alia Servizi Ambientali Group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the management report and of the specific information included in the report on corporate governance and the ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Alia Servizi Ambientali Group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the management report and the specific information included in the report on corporate governance and the ownership structure mentioned above are consistent with the consolidated financial statements of the Alia Servizi Ambientali Group as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Alia Servizi Ambientali SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Florence, 6 May 2024

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.