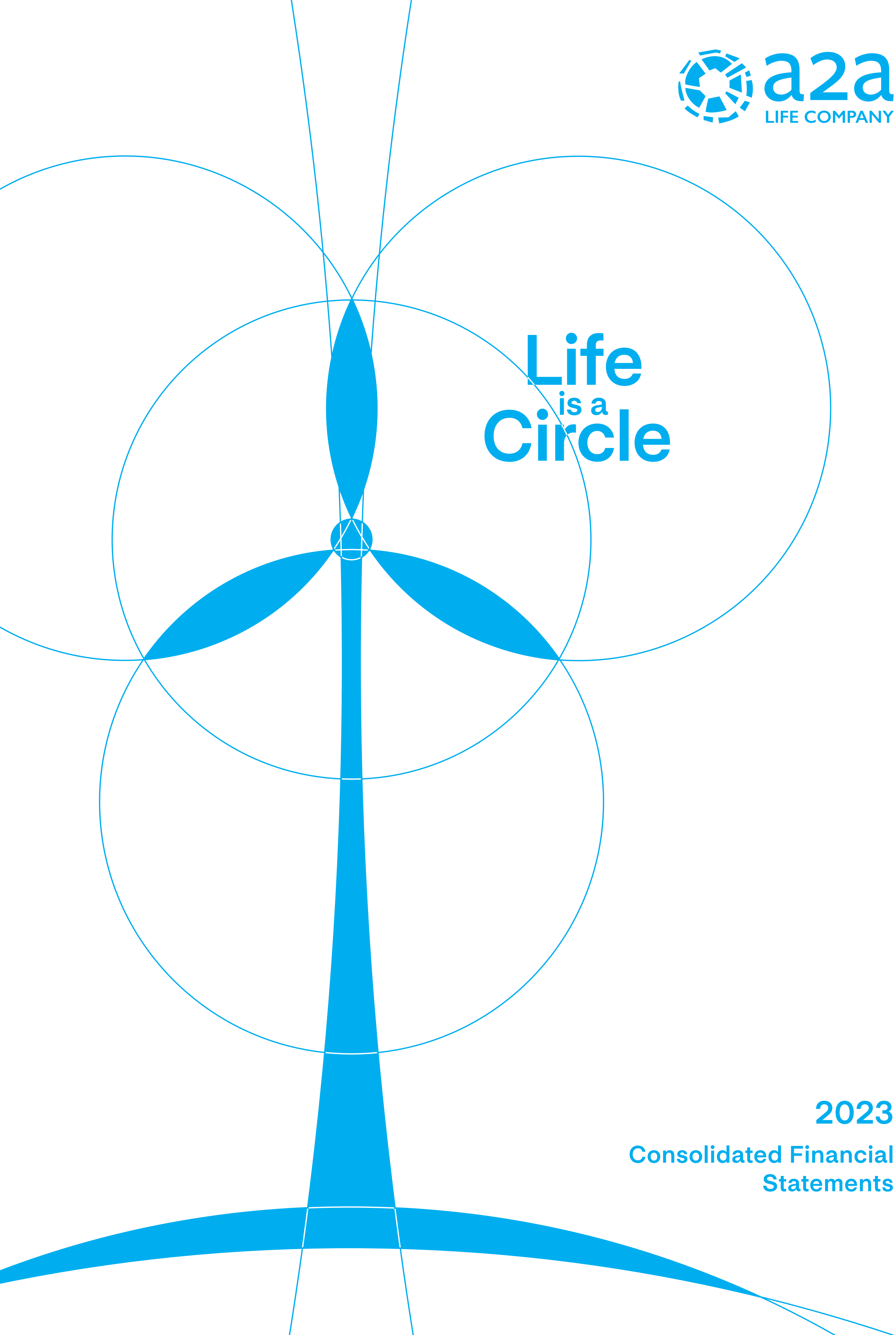

Life is a Circle

2023

Consolidated Financial Statements

Consolidated financial statements

2023

these Financial Statements are available at the website
gruppoa2a.it

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This is a translation of the Italian original "Relazione finanziaria annuale consolidata 2023" and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail.
The Italian original is available at the website **gruppoa2a.it**

1

Accounting statements of the consolidated financial statements

1.1

Consolidated balance sheet [(1)]

Assets

millions of euro	Note	12 31 2023	12 31 2022
Non-current assets			
Tangible assets	1	6,643	6,162
Intangible assets	2	3,630	3,515
Shareholdings carried according to equity method	3	30	33
Other non-current financial assets	3	67	70
Deferred tax assets	4	464	363
Other non-current assets	5	138	86
Total non-current assets		**10,972**	**10,229**
Current assets			
Inventories	6	319	536
Trade receivables	7	3,540	4,680
Other current assets	8	2,264	3,289
Current financial assets	9	33	14
Current tax assets	10	41	35
Cash and cash equivalents	11	1,629	2,584
Total current assets		**7,826**	**11,138**
Non-current assets held for sale		-	-
Total assets		**18,798**	**21,367**

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of related party transactions on the consolidated financial statements are provided in the statements and discussed in Note 37.
Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 38 as required by Consob Communication DEM/6064293 of July 28, 2006.

Equity and liabilities

millions of euro	Note	12 31 2023	12 31 2022
Equity			
Share capital	12	1,629	1,629
(Treasury shares)		-	-
Reserves	13	1,952	1,869
Result of the year	14	659	401
Equity pertaining to the Group		**4,240**	**3,899**
Minority interests	15	562	568
Total Equity		**4,802**	**4,467**
Liabilities			
Non-current liabilities			
Non-current financial liabilities	16	5,576	5,867
Employee benefits	17	237	248
Provisions for risks, charges and liabilities for landfills	18	828	729
Other non-current liabilities	19	335	370
Total non-current liabilities		**6,976**	**7,214**
Current liabilities			
Trade payables	20	4,105	5,524
Other current liabilities	20	2,070	3,006
Current financial liabilities	21	775	1,022
Tax liabilities	22	70	134
Total current liabilities		**7,020**	**9,686**
Total liabilities		**13,996**	**16,900**
Liabilities directly associated with non-current assets held for sale		-	-
Total equity and liabilities		**18,798**	**21,367**

1.2

Consolidated income statement [1]

millions of euro	Note	12 31 2023	12 31 2022 Restated (*)
Revenues			
Revenues from the sale of goods and services		14,492	22,938
Other operating income		266	218
Total Revenues	24	**14,758**	**23,156**
Operating expenses			
Expenses for raw materials and services		11,591	20,500
Other operating expenses		381	393
Total Operating expenses	25	**11,972**	**20,893**
Labour costs	26	**815**	**765**
Gross operating income - EBITDA	27	**1,971**	**1,498**
Depreciation, amortization, provisions and write-downs	28	**954**	**816**
Net operating income - EBIT	29	**1,017**	**682**
Result from non-recurring transactions	30	**2**	**157**
Financial balance			
Financial income		83	35
Financial expenses		222	125
Affiliates		-	2
Result from disposal of other shareholdings		(1)	-
Total financial balance	31	**(140)**	**(88)**
Result before taxes		**879**	**751**
Income taxes	32	**199**	**344**
Result after taxes from operating activities		**680**	**407**
Net result from discontinued operations	33	**3**	**41**
Net result		**683**	**448**
Minorities	34	**(24)**	**(47)**
Group result of the year	35	**659**	**401**
Result per share (in euro):			
- basic		0.2101	0.1281
- basic from continuing operations		0.2092	0.1150
- basic from assets held for sale		0.0009	0.0131
- diluted		0.2101	0.1281
- diluted from continuing operations		0.2092	0.1150
- diluted from assets held for sale		0.0009	0.0131

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of related party transactions on the consolidated financial statements are provided in the statements and discussed in Note 37.
Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 38 as required by Consob Communication DEM/6064293 of July 28, 2006.

(*) The values at December 31, 2022 were restated to make them homogeneous with the values at December 31, 2023 by reclassifying the revenues, operating costs and depreciation and amortization related to the Water BU sold in 2023 under the item "Net result from discontinued operations/held for sale".

1.3

Consolidated statement of comprehensive income

millions of euro	12 31 2023	12 31 2022
Net result of the year (A)	**683**	**448**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	3	31
Tax effect of other actuarial gains/(losses)	(1)	(9)
Total actuarial gains/(losses) net of the tax effect (B)	**2**	**22**
Effective part of gains/(losses) on cash flow hedge	(43)	(1)
Tax effect of other gains/(losses)	11	-
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**(32)**	**(1)**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	**-**	**-**
Total comprehensive result (A)+(B)+(C)+(D)	**653**	**469**
Total comprehensive result attributable to:		
Shareholders of the parent company	**629**	**422**
Minority interests	**(24)**	**(47)**

With the exception of the actuarial effects on employee benefits recognized in equity, the other effects stated above will be reclassified to the Income Statement in subsequent years.

1.4

Consolidated cash-flow statement

millions of euro	12 31 2023	12 31 2022
Cash and cash equivalents at the beginning of the year	**2,584**	**964**
Operating activities		
Net Result	683	448
Net income taxes	199	344
Net financial interests	139	90
Capital gains/expenses	(3)	(191)
Tangible assets depreciation	523	491
Intangible assets amortization	278	233
Fixed assets write-downs/disposals	17	10
Net provisions	151	92
Result from affiliates	1	(2)
Net financial interests paid	(101)	(75)
Net taxes paid	(317)	(201)
Dividends paid	(302)	(302)
Change in trade receivables	1,057	(1,420)
Change in trade payable	(1,420)	2,587
Change in inventories	217	(332)
Other changes	(82)	(512)
Cash flow from operating activities	**1,040**	**1,260**
Investment activities		
Investments in tangible assets	(947)	(856)
Investments in intangible assets and goodwill	(429)	(384)
Investments in shareholdings and securities (*)	(45)	(497)
Cash and cash equivalents from first consolidations asset	8	180
Disposal of fixed assets and shareholdings	48	413
Dividends paid by equity investments and other investments	-	2
Cash flow from investment activities	**(1,365)**	**(1,142)**
Free Cash Flow	**(325)**	**118**
Financing activities		
Changes in financial assets		
Issuance of loans	-	-
Proceeds from loans	6	(3)
Other changes	(19)	2
Total changes in financial assets (*)	**(13)**	**(1)**
Changes in financial liabilities		
Borrowings/bonds issued	943	4,339
Repayment of borrowings/bond	(1,505)	(2,779)
Other changes	(55)	(57)
Total changes in financial liabilities (*)	**(617)**	**1,503**
Cash flow from financing activities	**(630)**	**1,502**
Change in cash and cash equivalents	**(955)**	**1,620**
Cash and cash equivalents at the end of the year	**1,629**	**2,584**

(*) Cleared of balances in return of shareholders' equity and other balance sheet items.

1.5
Statement of changes in Group equity

Changes from January 1, 2022 to December 31, 2022 millions of euro	Share capital	Treasury shares	Cash Flow Hedge	Other Reserves and retained earnings	Result of the year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
Net equity at December 31, 2021	**1,629**	**-**	**28**	**1,599**	**504**	**3,760**	**543**	**4,303**
Result allocation				504	(504)	-		-
Distribution of dividends				(283)		(283)	(19)	(302)
IAS 19 reserves (*)				22		22		22
Cash flow hedge reserves (*)			(1)			(1)		(1)
Other changes			3	(3)		-	(3)	(3)
Group and minorities result of the year					401	401	47	448
Net equity at December 31, 2022	**1,629**	**-**	**30**	**1,839**	**401**	**3,899**	**568**	**4,467**

(*) These form part of the statement of comprehensive income.

Changes from January 1, 2023 to December 31, 2023 millions of euro	Share capital	Treasury shares	Cash Flow Hedge	Other Reserves and retained earnings	Result of the year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
Net equity at December 31, 2022	**1,629**	**-**	**30**	**1,839**	**401**	**3,899**	**568**	**4,467**
Result allocation				401	(401)	-		-
Distribution of dividends				(283)		(283)	(19)	(302)
IAS 19 reserves (*)				2		2		2
Cash flow hedge reserves (*)			(32)			(32)		(32)
Other changes				(5)		(5)	(11)	(16)
Group and minorities result of the year					659	659	24	683
Net equity at December 31, 2023	**1,629**	**-**	**(2)**	**1,954**	**659**	**4,240**	**562**	**4,802**

(*) These form part of the statement of comprehensive income.

1.6

Consolidated balance sheet

pursuant to Consob Resolution no. 17221 of March 12, 2010

Assets

millions of euro	12 31 2023	of which Related Parties (note 37)	12 31 2022	of which Related Parties (note 37)
Non-current assets				
Tangible assets	6,643		6,162	
Intangible assets	3,630		3,515	
Shareholdings carried according to equity method	30	30	33	33
Other non-current financial assets	67	6	70	14
Deferred tax assets	464		363	
Other non-current assets	138	24	86	
Total non-current assets	**10,972**		**10,229**	
Current assets				
Inventories	319		536	
Trade receivables	3,540	158	4,680	157
Other current assets	2,264	1	3,289	
Current financial assets	33	7	14	10
Current tax assets	41		35	
Cash and cash equivalents	1,629		2,584	
Total current assets	**7,826**		**11,138**	
Non-current assets held for sale	-		-	
Total assets	**18,798**		**21,367**	

Equity and liabilities

millions of euro	12 31 2023	of which Related Parties (note 37)	12 31 2022	of which Related Parties (note 37)
Equity				
Share capital	1,629		1,629	
(Treasury shares)	-		-	
Reserves	1,952		1,869	
Result of the year	659		401	
Equity pertaining to the Group	**4,240**		**3,899**	
Minority interests	562		568	
Total Equity	**4,802**		**4,467**	
Liabilities				
Non-current liabilities				
Non-current financial liabilities	5,576		5,867	
Employee benefits	237		248	
Provisions for risks, charges and liabilities for landfills	828		729	
Other non-current liabilities	335		370	
Total non-current liabilities	**6,976**		**7,214**	
Current liabilities				
Trade payables	4,105	81	5,524	79
Other current liabilities	2,070	6	3,006	6
Current financial liabilities	775		1,022	
Tax liabilities	70		134	
Total current liabilities	**7,020**		**9,686**	
Total liabilities	**13,996**		**16,900**	
Liabilities directly associated with non-current assets held for sale	-		-	
Total equity and liabilities	**18,798**		**21,367**	

1.7

Consolidated income statement

pursuant to Consob Resolution no. 17221 of March 12, 2010

millions of euro	12 31 2023	of which Related Parties (note 37)	12 31 2022 Restated (*)	of which Related Parties (note 37)
Revenues				
Revenues from the sale of goods and services	14,492	563	22,938	597
Other operating income	266		218	
Total Revenues	**14,758**		**23,156**	
Operating expenses				
Expenses for raw materials and services	11,591	23	20,500	16
Other operating expenses	381	85	393	82
Total Operating expenses	**11,972**		**20,893**	
Labour costs	**815**	**1**	**765**	**2**
Gross operating income - EBITDA	**1,971**		**1,498**	
Depreciation, amortization, provisions and write-downs	**954**		**816**	
Net operating income - EBIT	**1,017**		**682**	
Result from non-recurring transactions	**2**	**2**	**157**	
Financial balance				
Financial income	83	5	35	11
Financial expenses	222		125	
Affiliates	-		2	2
Result from disposal of other shareholdings	(1)		-	
Total financial balance	**(140)**		**(88)**	
Result before taxes	**879**		**751**	
Income taxes	**199**		**344**	
Result after taxes from operating activities	**680**		**407**	
Net result from discontinued operations	**3**		**41**	
Net result	**683**		**448**	
Minorities	**(24)**		**(47)**	
Group result of the year	**659**		**401**	

(*) The values at December 31, 2022 were restated to make them homogeneous with the values at December 31, 2023 by reclassifying the revenues, operating costs and depreciation and amortization related to the Water BU sold in 2023 under the item "Net result from discontinued operations/held for sale".

2

Notes to the Consolidated annual report

2.1
General information

A2A S.p.A. is a company with legal personality organized under the laws of the Italian Republic which operates, also through its subsidiaries ("Group"), both in Italy and abroad.

The A2A Group mainly operates in the following sectors:
- the production, sale and distribution of electricity even from renewable resources;
- the sale and distribution of gas;
- the production, distribution and sale of heat through district heating networks;
- waste management (from collection and sweeping to disposal) and the construction and management of integrated waste disposal plants and systems, also making these available for other operators;
- integrated water cycle management;
- technical consultancy relating to energy efficiency certificates.

2.2
Consolidated annual report

The consolidated annual report (hereafter referred to as the “Annual report”) of the A2A Group at December 31, 2023, is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Annual report of the A2A Group at December 31, 2023 has been prepared:

- in compliance with Legislative Decree 58/1998 (art. 154-ter) as amended and with the Issuers’ Regulations published by Consob;
- in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union. IFRS means all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

In preparing the Annual report, the same principles used in the preparation of the consolidated annual financial report at December 31, 2022 were applied, other than the principles and interpretations described in detail in the paragraph below “Changes in accounting principles” adopted for the first time on January 1, 2023.

In this file, use has been made of some Alternative Performance Measures (APM) that are different from the financial indicators expressly provided for by the IAS/IFRS international accounting standards adopted by the Group; for details of these indicators, please see the specific paragraph Alternative Performance Measures (APM) in the file of the Report on Operations.

This Annual report at December 31, 2023 was approved on March 11, 2023 by the Board of Directors, which authorized publication, and has been audited by EY S.p.A. in accordance with their appointment by the Meeting Resolution of June 11, 2015 for the nine years from 2016 to 2024.

2.3
Financial statements

The Group has adopted a format for the balance sheet which presents current and non-current assets and current and non-current liabilities as separate classifications, as required by paragraphs 60 and following of IAS 1.

The income statement is presented by nature, a format which is considered more representative than a presentation by function. The selected format is in agreement with the presentation used by the Group's major competitors and in line with international practice.

The specific line items "Result from non-recurring transactions" and "Result from disposal of other shareholdings" are in the format of the income statement in order to provide clear and immediate identification of the results arising from non-recurring transactions forming part of continuing operations, separating these from the results from discontinued operations. In particular, it should be noted that the item "Result from non-recurring transactions" is intended to include the results from the sale of investments in subsidiaries and associates and other non-operating expenses/income. This item is presented between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

The Cash Flow Statement is prepared using the indirect method, as permitted by "IAS 7" and includes the disclosure amendments introduced by the integration to "IAS 7" approved on November 9, 2017.

The statement of changes in equity has been prepared in accordance with IAS 1.

The formats adopted for the financial statements are the same as those used to prepare the Consolidated Annual Financial Report at December 31, 2022.

2.4
Basis of preparation

The consolidated annual financial report at December 31, 2023 has been prepared on a historical cost basis, with the exception of those items which under IFRS must or can be measured at fair value.

The consolidation principles, the accounting standards, the accounting policies and the methods of measurement used in the preparation of the Annual financial report are consistent with those used to prepare the consolidated annual financial report at December 31, 2022, except as specified below regarding newly enacted standards.

2.5
Changes in international accounting standards

Pursuant to IAS 8, the subsequent paragraph "Accounting standards, amendments and interpretations applicable by the company as of the current year" indicates and briefly illustrates the amendments in force as of January 1, 2023.

The following paragraph, "Accounting standards, amendments and interpretations approved by the European Union" instead detail the accounting standards and interpretations already issued, not yet approved by the European Union and therefore not applicable for the preparation of the financial statements at December 31, 2023, any impacts of which will then be transposed as of the financial statements of the following years.

Accounting standards, amendments and interpretations applicable as of the current year

As from January 1, 2023, applicable to the Group are the following additions to specific paragraphs of the international accounting standards already adopted by the Group companies in previous years:

- IAS 1 "Presentation of the Financial Statements": issued by the IASB on February 12, 2021 and endorsed on March 2, 2022, which provides guidance and examples to help entities apply materiality judgements to disclosures on accounting standards. The amendments are intended to help entities provide more useful accounting standard disclosures by replacing the requirement for entities to provide their "significant" accounting standards with a requirement to provide disclosures about their "material" accounting standards; in addition, guidance is added on how entities apply the concept of materiality in making accounting standard disclosure decisions. The Group updated its disclosures on the basis of the new materiality concept, without noting any significant impact on the disclosure of accounting policies;
- IAS 8 "Accounting policies, changes in accounting estimates and errors": issued by the IASB on February 12, 2021 and endorsed on March 2, 2022. The amendments clarify the distinction between changes in accounting estimates and changes in accounting standards and error correction. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements;
- IAS 12 "Income Taxes": issued by the IASB on May 7, 2021 and endorsed on August 11, 2022 in which it clarifies how to account for deferred taxes on transactions such as leases and decommissioning provisions. In particular, the option, previously provided for, not to calculate deferred taxation upon initial recognition of assets and liabilities deriving from lease contracts and/or decommissioning provisions is eliminated. This addition clarifies, therefore, that all companies are required to recognize deferred taxation on the transactions in question. The amendments had no impact on the Group's consolidated financial statements;
- IFRS 17 "Insurance contracts": issued by the IASB on May 18, 2017 and endorsed on November 19, 2021, applicable to companies that issue insurance contracts. The amendments had no impact on the Group's consolidated financial statements;
- IFRS 17 "Insurance Contracts": issued by the IASB on December 9, 2021 and endorsed on September 8, 2022 in which it adds a transition option relating to comparative information presented on first-time application of IFRS 17 and IFRS 9. The amendment aims to help entities avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore at improving the usefulness of comparative information of the financial statements. The amendments had no impact on the Group's consolidated financial statements;
- IAS 12 "Income Taxes" entitled "International tax reform: rules for the application of the second pillar": issued on May 23, 2023 and endorsed on November 9, 2023. The amendments clarify that IAS 12 applies to income taxes arising from the tax law enacted or promulgated to implement the rules established by the OECD 'second pillar', which establishes a coordinated system to ensure that multinational enterprises with revenues in excess of 750 million euro pay a tax of at least 15% on income derived in each of the jurisdictions in which they operate and which is expected to come into force in 2024.
  The amendments introduce a temporary mandatory exception to the accounting for deferred taxes arising from the jurisdictional implementation of rules and disclosure requirements to help users of financial statements better understand the company's exposure to income taxes arising from such legislation, prior to its effective date.
  The Group has provided information in the relevant section on taxation to which reference should be made.

Accounting standards, amendments and interpretations approved this year and applicable as of subsequent years

- On January 23, 2020, July 15, 2020 and October 31, 2022, the IASB issued three additions to IAS 1 "Presentation of Financial Statements" that aim to better define the concept of liabilities and the related classification between short and medium/long-term. The additions were approved on December 20, 2023.
  Specifically, emphasis is placed on the temporal concept of transferring money or other resources to the counterparty to settle the liability. The following aspects are also clarified: what is meant by a subordination right; that the subordination right must exist at the end of the reporting period; classification is not impacted by the probability that the entity will exercise its subordination right; only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability not impact its classification.
  Furthermore, the latest amendment specifies that only covenants that an entity must meet by the reporting date will affect the classification of a liability as current or non-current.
  These additions will be applicable to financial statements closed on or after January 1, 2024. The Group is currently assessing the impacts of these amendments;
- on September 22, 2022, the IASB issued a supplement to IFRS 16 "Leases" clarifying how to account for a sale and leaseback transaction that provides for variable payments based on the performance or use of the asset subject to the transaction.
  The integration was approved on November 21, 2023 and will be applicable to the financial statements as of January 1, 2024. No impacts are expected on the Group's economic and financial situation.

Accounting standards, amendments and interpretations not yet approved by the European Union

- On May 25, 2023, the IASB issued a supplement to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures".
  The amendments clarify the characteristics of supplier financing arrangements (e.g. reverse factoring instruments) and define the information to be provided on the impact of these arrangements on the company's liabilities and cash flows (e.g. terms and conditions, book value and balance sheet item in which financial debts are recorded, with an indication of those for which the financial supplier has already settled the corresponding portion of trade debt, maturity bands of financial debts and comparable trade debts, but not included in arrangements).
  These additions will be applicable to financial statements closed on or after January 1, 2024. The Group is currently assessing the impacts of these amendments;
- on August 15, 2023, the IASB issued a supplement to IAS 21 "The effects of changes in foreign exchange rates" to regulate the procedures to be followed in the event of currency non-convertibility. The amendments introduce requirements to determine when a currency is convertible into another currency and when it is not and require an entity to estimate the spot exchange rate when it determines that a currency is not convertible into another currency. These additions will be applicable to financial statements closed on or after January 1, 2025. The Group is currently assessing the impacts of these amendments.

2.6
Scope of consolidation

The Consolidated annual report of the A2A Group at December 31, 2023 includes the figures of the parent A2A S.p.A. and those of the subsidiaries over which A2A S.p.A. exercises either direct or indirect control. In addition, companies in which the parent exercises joint control with other entities (joint ventures) and those over which it has a significant influence are consolidated using the equity method.

The following changes to the scope of consolidation of the A2A Group are reported:

- the acquisition by AEB S.p.A. of 90% of VGE 05 S.r.l., a company operating in the photovoltaic sector, with the consequent line-by-line consolidation;
- the acquisition by A2A Calore & Servizi S.r.l. of 100% of Termica Cologno S.r.l. with the consequent line-by-line consolidation;
- the incorporation on April 11, 2023 by A2A S.p.A. of A2A Services & Real Estate S.p.A. (formerly A2A Servizi S.r.l.), which is consolidated on a line-by-line basis, and contribution on October 1, 2023 by A2A S.p.A. (81.33%), Acinque S.p.A. (10.29%) and Ambiente Energia Brianza S.p.A. (8.38%), of a BU relating to employee, customer, supplier and building services;
- the acquisition by A2A Rinnovabili S.p.A. of 100% of Juwi Development 12 S.r.l. and Juwi Development 13 S.r.l. with consequent line-by-line consolidation;
- incorporation of the companies R2R 01 S.r.l., R2R 02 S.r.l., R2R 03 S.r.l. and R2R 04 S.r.l., by R2R S.r.l., which owns 100% of it, consolidated on a line-by-line basis;
- the incorporation of the company Mogorella S.r.l. by A2A Rinnovabili S.p.A., which owns 100% of it, consolidated on a line-by-line basis;
- the sale by A2A Ambiente of 80% of Bioenergia Gualdo S.r.l., 55% of Energia Anagni S.r.l. and its 100% owned subsidiary Bionergia Roccasecca S.r.l., with the resulting exit from the scope of consolidation.

For further details on the activities of the Purchase Price Allocation required by IFRS 3, reference is made to the paragraph “Other information” of this report.

Breakdown of the balance sheet with evidence of the effect of the first consolidation of the 2023 acquisitions

millions of euro	Note	Consolidated at 12 31 2022	A2A Rinnovabili Group	Termica Cologno	VGE5	Total effect first consolidation acquisitions 2023	Changes	Consolidated at 12 31 2023
Assets								
Non-current assets								
Tangible assets	1	6,162	-	-	-	-	481	6,643
Intangible assets	2	3,515	6	2	14	22	93	3,630
Shareholdings carried according to equity method	3	33	-	-	-	-	(3)	30
Other non-current financial assets	3	70	-	-	-	-	(3)	67
Deferred tax assets	4	363	-	-	-	-	101	464
Other non-current assets	5	86	-	-	-	-	52	138
Total non-current assets		**10,229**	**6**	**2**	**14**	**22**	**721**	**10,972**
Current assets								
Inventories	6	536	-	-	-	-	(217)	319
Trade receivables	7	4,680	-	-	-	-	(1,140)	3,540
Other current assets	8	3,289	-	-	-	-	(1,025)	2,264
Current financial assets	9	14	-	-	-	-	19	33
Current tax assets	10	35	-	-	-	-	6	41
Cash and cash equivalents	11	2,584	-	8	-	8	(963)	1,629
Total current assets		**11,138**	**-**	**8**	**-**	**8**	**(3,320)**	**7,826**
Non-current assets held for sale		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets		**21,367**	**6**	**10**	**14**	**30**	**(2,599)**	**18,798**
Liabilities								
Non-current liabilities								
Non-current financial liabilities	16	5,867	1	-	1	2	(293)	5,576
Employee benefits	17	248	-	-	-	-	(11)	237
Provisions for risks, charges and liabilities for landfills	18	729	-	1	-	1	98	828
Other non-current liabilities	19	370	-	-	-	-	(35)	335
Total non-current liabilities		**7,214**	**1**	**1**	**1**	**3**	**(241)**	**6,976**
Current liabilities								
Trade payables	20	5,524	1	-	-	1	(1,420)	4,105
Other current liabilities	20	3,006	-	-	-	-	(936)	2,070
Current financial liabilities	21	1,022	-	-	-	-	(247)	775
Tax liabilities	22	134	-	-	-	-	(64)	70
Total current liabilities		**9,686**	**1**	**-**	**-**	**1**	**(2,667)**	**7,020**
Total liabilities		**16,900**	**2**	**1**	**1**	**4**	**(2,908)**	**13,996**
Liabilities directly associated with non-current assets held for sale		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities		**16,900**	**2**	**1**	**1**	**4**	**(2,908)**	**13,996**

It should be noted that the economic effect of the new acquisitions in 2023 is not significant.

2.7 Consolidation policies and procedures

Consolidation criteria

Subsidiaries

Subsidiaries are those companies over which the parent company, A2A S.p.A., exercises control, also by virtue of shareholders' agreements, and has the power, as defined by IFRS 10, to determine financial and operating policy, either directly or indirectly, in order to obtain returns from their activities. Subsidiaries are consolidated from the date on which the Group effectively acquires control and cease to be consolidated on a line-by-line basis from the date on which control is lost.

Associates, joint ventures and joint operations

Shareholdings in associates, namely those in which the A2A Group has a considerable interest and is able to exercise significant influence are accounted for using the equity method. Gains and losses attributable to the Group are recognized in the financial statements from the date on which significant influence or joint control commences.

In the event that the loss attributable to the Group exceeds the carrying amount of an investment, the carrying amount is reduced to zero and any excess loss is provided for to the extent that the Group has legal or constructive obligations to make good the associate's losses or in any case to make payments on its behalf.

With the adoption of IFRS 11, the Group must now classify investments in joint arrangements as either joint ventures (if the Group has rights to the net assets of the arrangement) or joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement).

Potential voting rights

If the A2A Group holds call options on shares or other equity instruments that represent capital (warrants) that are convertible into ordinary shares or similar instruments having the potential, if exercised or converted, to give the Group voting rights or reduce the voting rights of third parties ("potential voting rights"), such potential voting rights are taken into consideration when assessing whether or not the Group has the power to govern or influence another company's financial and operating policies.

Treatment of put options on the shares of subsidiaries

In general, paragraph 23 of IAS 32 states that a contract that contains an obligation for an entity to purchase shares for cash or another financial asset gives rise to a financial liability for the present value of the exercise price of the option.

As a result, therefore, if the Group does not have the unconditional right to avoid the delivery of cash or other financial instruments when a put option on the shares of subsidiaries is exercised, it must recognize a liability.

In the absence of specific instructions in the related accounting standards, the A2A Group: (i) considers the shares involving put options to have already been purchased, including in cases in which the risks and rewards connected with ownership of the shares remain with the minority shareholders and they remain exposed to equity risk; (ii) records a corresponding entry among equity reserves for the liability resulting from the obligation and any subsequent changes that are not related to the mere unwinding of the present value of the strike price; (iii) and recognizes such changes through the Income Statement.

Effect on the consolidation procedures of certain agreements involving the shares or quotas of Group companies

a) Earn-out on the purchase of the equity investments made by A2A Rinnovabili S.p.A.

With reference to the acquisitions of equity investments made by A2A Rinnovabili S.p.A. between 2017 and 2023, by contract, there are price and earn-out adjustments of non-significant amounts both in favor of the seller and in favor of the buyer upon the occurrence of certain conditions. Given the uncertainty and insignificance of the amounts, the Group has not recorded these values.

b) Options on the shares of Suncity Group S.r.l.

During the year, the Group, based on new considerations, deemed that the conditions for exercising the option to purchase 74% of Newco's share capital had ceased to exist, and therefore eliminated the value of the debt recognized in previous years. In the second half of the year, the Group sold its shareholding (26%).

c) Options on the shares of Electrometal S.r.l.

On December 20, 2019, A2A Ambiente S.p.A. acquired 90% of Electrometal S.r.l..

Subsequently, pursuant to and as a result of the provisions of Article 9.3 of the sale and purchase agreement, on July 7, 2023, A2A Ambiente S.p.A. exercised its option to purchase the remaining 10% for a total consideration of 2 million euro. As a result of this transaction, the Group holds 100% of the company.

Consolidation procedures

General procedure

The financial statements of the subsidiaries, associates and joint ventures consolidated by the A2A Group are prepared at the end of each reporting period using the same accounting policies as the parent. Any items recognized by using different accounting standards are adjusted during the consolidation process to bring them into line with Group accounting policies. All intra-group balances and transactions, including any unrealized profits arising from transactions between Group companies, are fully eliminated.

In preparing the Report the assets, liabilities, income and expenses of the companies being consolidated are included in their entirety on a line-by-line basis, with the portion of equity and net income for the period attributable to minority interests being stated separately in the balance sheet and income statement.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of its net equity, including any adjustments to fair value at the acquisition date; any differences arising are accounted for in accordance with IFRS 3.

Transactions with minority interests which do not lead to the loss of control in consolidated companies are accounted for using the economic entity view approach.

Procedure for the consolidation of assets and liabilities held for sale (IFRS 5)

In the case of particularly large amounts and in connection with non-current assets and liabilities held for sale, and only in this case, in accordance with IFRS 5 the relative intra-group financial receivables and payables are eliminated.

2.8 Accounting standards and policies

Translation of foreign currency items

The consolidated financial statements of the A2A Group are presented in euro; this is also the functional currency of the economies in which the Group operates.

Transactions in other currencies are initially recognized at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into euro at the exchange rates at the balance sheet date.

Non-monetary items measured at historical cost in foreign currency are translated at the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated at the exchange rates at the date when the fair value was determined.

Tangible assets

Assets for business use are classified as tangible assets, while non-business assets are classified in the eventuality as investment property.

Tangible assets are measured at cost, including any additional charges directly attributable to bringing the asset into an operating condition (e.g. transport, customs duty, installation and testing costs, notary and land registry fees and any non-deductible VAT), increased when material and where there are obligations by the present value of the estimated cost of restoring the location from an environmental point of view or dismantling the asset. Borrowing costs, where directly attributable to the purchase or construction of an asset, are capitalized as part of the cost of the asset if the type of asset so warrants.

If important components of tangible assets have different useful lives, they are accounted for separately using the “component approach”, assigning to each component its own useful life for the purpose of calculating depreciation (the component approach).

Land, whether occupied by residential or industrial buildings or devoid of construction, is not depreciated as it has an unlimited useful life, except for land used in production activities that is subject to deterioration over time (e.g. landfills, quarries).

Ordinary maintenance costs are fully expensed to the income statement in the year they are incurred. Costs for maintenance carried out at regular intervals are attributed to the assets to which they refer and are depreciated over the specific residual possibility of use of such.

Tangible assets are stated net of accumulated depreciation and any write-downs. Depreciation is charged from the year in which the individual asset enters service on a straight-line basis over the estimated useful life of the asset for the business. The estimated realizable value which is deemed to be recoverable at the end of an asset’s useful life is not depreciated. The useful life of each asset is reviewed annually and any changes, if needed, are made with a view to showing the correct value of the asset.

Landfills are depreciated on the basis of the percentage filled, which is calculated as the ratio between the volume occupied at the end of the period and the total volume authorized.

The main depreciation rates used, which are based on technical and economic considerations, are as follows:

- building	14.1% - 32.4%
- land	0.0% - 10.0%
- production plants	0.1% - 63.16%
- transport lines	2.2% - 4.3%
- transformation stations	2.5% - 20.2%
- distribution networks	0.1% - 77.4%
- fiber-optic networks	4.2%-20.0%
- miscellaneous equipment	0.6% - 41.8%
- furniture and fittings	0.6% - 32.4%
- electric and electronic office machines	4.2% - 46.1%
- vehicles	2.8% - 27.3%
- e-moving	5.3% - 16.7%
- capital goods of less than 516 euro	100%
- leasehold improvements	1.6% - 54.6%
- leased assets	1.7% - 23.2%

Tangible assets are subjected to impairment testing if there is any indication that an asset may be impaired in accordance with the paragraph below “Impairment of assets”; write-downs may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.

When an asset is disposed of or if future economic benefits are no longer expected from using an asset, it is removed from the balance sheet and any gain or loss (being the difference between the disposal proceeds and the carrying amount) is recognized in the income statement in the year of the derecognition.

Leasing

Assets for rights of use are recognized on the start date of the lease, i.e. the date on which the underlying asset is available for use.

Rights to use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any restatement of lease liabilities. The cost of assets for rights of use includes the amount of lease liabilities recognized and lease payments made on or before the commencement of the lease. Assets for right of use are depreciated on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use or at the end of the lease term, whichever is earlier.

If the lease transfers ownership of the underlying asset to the lessee at the end of the term of the contract or if the cost of the asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, the asset consisting of the right of use is depreciated from the effective date until the end of the useful life of the underlying asset.

Lease liabilities are recognized at the present value of lease payments not yet paid at the reporting date. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which are controlled by the enterprise and able to produce future economic benefits, and include goodwill when acquired for consideration.

The fact of being identifiable distinguishes an intangible asset that has been acquired from goodwill; this requirement is normally met when: (i) the intangible asset is attributable to a legal or contractual right, or (ii) the asset is separable, in other words it can be sold, transferred, rented or exchanged individually or as an integral part of other assets.

Control by the enterprise consists of the right to enjoy the future economic benefits flowing from the asset and to restrict the access of others to those benefits.

Intangible assets are stated at purchase or production cost, including ancillary charges, determined in the same way as for tangible assets. Intangible fixed assets produced internally are not capitalized but recognized in the income statement in the year in which the costs are incurred.

Intangible assets with a definite useful life are reported in the financial statements net of the related accumulated amortization and impairments in the same way as for tangible assets. Changes in the expected useful life or in the ways in which the future economic benefits of an intangible asset are achieved by the Company are accounted for by suitably adjusting the period or method of amortization, treating them as changes in accounting estimates. The amortization of intangible fixed assets with a definite useful life is charged to income statement in the cost category that reflects the function of the intangible asset concerned.

Intangible assets are subjected to impairment testing if there are specific indications that they may be impaired, in accordance with the paragraph below "Impairment of assets"; impairment losses may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.

Intangible assets with an indefinite useful life and those that are not yet available for use are subjected to impairment testing on an annual basis, whether or not there are any specific indications that they may be impaired, in accordance with the paragraph below "Impairment of assets". Impairment losses recognized for goodwill are not reversed.

Gains or losses on the disposal of an intangible asset are calculated as the difference between the disposal proceeds and the carrying amount of the asset and recognized in the Income Statement at the time of the disposal.

The following amortization rates are applied to intangible assets with a definite useful life:

- industrial patents and intellectual property rights........ 14.3% - 33.5%
- concessions, licenses, trademarks and similar rights........ 0.1% - 33.3%
- other intangible assets........ 1.7% - 63.2%

Service concession arrangements

IFRIC 12 states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognized as intangible assets if the operator has the right to receive a payment from the customer for the service provided, and/or as a financial asset if the operator has the right to receive payment from the public sector entity.

In order to assess the applicability of these provisions for the Group as a concessionaire, management conducted a careful analysis of existing concessions.

Based on these analyses, the service concessions relevant under IFRIC 12 for the Group were as follows:

- gas distribution network → intangible asset;
- water cycle - water distribution, purification and sewerage services → intangible asset
- management of votive lamps → financial asset;
- public lighting → financial asset;
- district heating network → intangible asset.

Impairment/Reversal of tangible and intangible fixed assets

Tangible and intangible assets are subjected to impairment testing if there is any specific indication that there may be an impairment loss.

Goodwill, other intangible assets with an indefinite useful life and assets not available for use are tested for impairment at least annually or more frequently if there is any specific indication that they may be impaired.

Impairment testing consists of comparing the carrying amount of an asset with its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine an asset's value in use, the entity calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is lower than its carrying amount, a loss is recognized in the Income Statement. If a loss recognized for an asset other than goodwill no longer exists or is reduced, the carrying amount of the asset or cash-generating unit is increased to the new estimate of recoverable value, which may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. Reversals of impairment losses are immediately recognized in the income statement.

When the recoverable amount of the individual asset cannot be estimated, it is based on the cash generating unit (CGU) or group of CGUs that the asset belongs to and/or to which it may be reasonably allocated.

CGUs are identified on the basis of the company's organizational and business structure as homogeneous aggregations that generate independent cash inflows deriving from the continuous use of the assets allocated to them.

Environmental certificates: emission quotas and White Certificates

Different accounting policies are applied to quotas or certificates held for own use in the "Industrial Portfolio" and those held for trading purposes in the "Trading Portfolio".

Surplus quotas or certificates held for own use in the "Industrial Portfolio" which are in excess of the Group's requirements in relation to the obligations accruing at year end are recognized as other intangible assets at the actual cost incurred. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Given that they are assets for instant use, they are not amortized but subjected to impairment testing. The recoverable amount is the higher of value in use and market value. If, on the other hand, there is a deficit because the requirement exceeds the quotas or certificates in portfolio at the balance sheet date, a provision is recognized for the amount needed to meet the residual obligation, estimated on the basis of any purchase contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

Quotas or certificates held for trading in the "Trading Portfolio" are recognized in inventories and measured at the lower of purchase cost and estimated realizable value based on market trends. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Market value is established on the basis of any sales contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

Shareholdings in subsidiaries, associates and joint ventures

Subsidiaries are companies in which the parent company "is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee", as defined by IFRS 10. Control is generally assumed to exist when a company holds either directly or indirectly more than half of the exercisable voting rights at an ordinary shareholders' meeting, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments.

Subsidiaries are consolidated on a line-by-line basis.

Associates are companies in which the parent has a significant influence over strategic decisions, despite not having control, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments; significant influence is assumed to exist when A2A S.p.A. holds, either directly or indirectly, more than 20% of voting rights exercisable at an ordinary shareholders' meeting.

In order to determine the existence of significant influence, management's judgement is required to evaluate all facts and circumstances.

The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more of the elements considered for the test of the existence of significant influence.

Shareholdings in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

Shareholdings in joint ventures (IFRS 11)

IFRS 11 identifies two types of arrangement, joint operations and joint ventures, on the basis of the rights and obligations of the parties, and governs the resulting accounting treatment to be adopted for the recognition of these arrangements in the financial statements.

The accounting treatment for this type of joint arrangement requires the assets/liabilities and revenue/expenses connected with the arrangement to be recognized on the basis of the rights/obligations due to/assumed by A2A, regardless of the interest held.

In order to determine the existence of joint control and the type of jointly controlled arrangement, management's judgment is required to assess the rights and obligations under the arrangement. To this end, management considers the structure and legal form of the arrangement, the terms agreed between the parties in the contractual agreement and, when relevant, other facts and circumstances.

The Group reassesses the existence of joint control when facts and circumstances indicate that there has been a change in one or more of the elements considered for the verification of the existence of joint control and the type of jointly controlled arrangement.

In the particular case of its shareholdings in two joint arrangements operating in the Generation and Trading Business Unit, Ergosud S.p.A. and PremiumGas S.p.A., the A2A Group considers that these fall under the category joint ventures as far as their legal form and the nature of the contractual agreements are concerned.

In particular, as regards the shareholding in PremiumGas S.p.A., the Group has rights exclusively linked to the results achieved by the company.

On September 26, 2018, PremiumGas S.p.A. was placed in voluntary liquidation.

For the shareholding in Ergosud S.p.A., despite the existence of a tolling agreement the investee could dispatch energy autonomously, thereby ensuring business continuity also at the end of the agreement. In addition, the A2A Group does not appoint any of the company's key management.

On the basis of the above considerations, the A2A Group has accounted for the shareholdings using the equity method, continuing the treatment used in previous years.

Latest available summarized figures for joint ventures (consolidated at equity)

Key figures at December 31, 2022 millions of euro	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50%	Ergosud 50%
Income statement				
Revenues from the sale of goods	0.05	0.00	44.6	43.3
Gross Operating Income	**(0.25)**	**(0.03)**	**1.3**	**12.4**
% of net revenues	n.s.	n.s.	2.9%	28.7%
Depreciation, amortization and write-downs	0.00	0.00	0.4	9.4
Net Operating Income	**(0.25)**	**(0.03)**	**0.9**	**3.0**
Result of the year	**(0.25)**	**0.00**	**0.6**	**0.9**
Balance sheet				
Total assets	**2.40**	**2.4**	**16.0**	**145.2**
Net equity	**(0.2)**	**2.3**	**3.1**	**69.4**
Net (debt)	**2.13**	**1.8**	**(2.0)**	**(29.9)**

Figures of the last financial statements available.

Key figures at December 31, 2021 millions of euro	Bergamo Pulita 50%	PremiumGas 50%	Metamer 50%	Ergosud 50%
Income statement				
Revenues from the sale of goods	0.04	0.06	24.4	40.9
Gross Operating Income	**0.00**	**0.02**	**1.1**	**7.7**
% of net revenues	n.s.	n.s.	4.5%	18.8%
Depreciation, amortization and write-downs	0.00	0.00	0.3	10.3
Net Operating Income	**0.00**	**0.02**	**0.8**	**(2.6)**
Result of the year	**0.00**	**0.03**	**0.5**	**(2.5)**
Balance sheet				
Total assets	**2.55**	**4.2**	**10.4**	**155.0**
Net equity	**0.09**	**1.5**	**2.8**	**68.5**
Net (debt)	**1.20**	**0.7**	**2.3**	**39.7**

Long term construction contracts in progress

Construction contracts with durations exceeding one year in progress are valued in accordance with IFRS 15. In particular, over-the-time revenues are recognized if it can be demonstrated that: a) the customer simultaneously receives and consumes the benefits of the contract in force at the same time as the service is provided b) the service provided improves.

Construction contracts currently in progress are measured on the basis of the contractual fees that have accrued with reasonable certainty on the basis of the stage of completion, using the “cost to cost” method, so as to allocate the revenues and net result of the contract to the individual periods to which they belong in proportion to the progress being made on the project. Any difference, positive or negative, between the value of the contracts and advances received is recognized as an asset or a liability respectively.

In addition to the contractual fees, contract revenues include variants, price revisions and incentive awards to the extent that it is probable that they represent actual revenues that can be reliably determined. Ascertained losses are recognized independently of the stage of completion of contracts.

Inventories

Inventories of materials and fuel are measured at the lower of weighted average cost and market value at the balance sheet date. Weighted average cost is determined for the period of reference for each inventory code. Weighted average cost includes any additional costs (such as sea freight, customers charges, insurance and lay or demurrage days in the purchase of fuel). Inventories are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the Income Statement.

Inventories of gas held for trading purposes, in storage at separate facilities as opposed to gas used for industrial purposes, are measured at fair value at the reporting date as required by IAS 2 par. 3 letter b.

Power Purchase Agreement

Power Purchase Agreements (PPA) that provide for the physical delivery of energy and that do not meet the requirements of IFRS 10 for the existence of control or joint control over a company or asset and IFRS 16 for the recognition of a lease, but that meet the definition of a derivative in IFRS 9, are accounted for under the rules of the own use exemption when the relevant conditions are met.

Financial instruments

They include shareholdings (excluding shareholdings in subsidiaries, joint ventures and associates) held for trading (so-called trading shareholdings) or available for sale, non-current receivables and loans and other non-current financial assets, trade and other receivables deriving from company operations and other current financial assets such as cash and cash equivalents. The latter consist of bank and postal deposits, readily negotiable securities used as temporary investments of surplus cash and financial receivables due within three months. Financial instruments also include financial payables (bank loans and bonds), trade payables, other payables and other financial liabilities and derivatives.

Financial assets and liabilities are recognized at the time that the contractual rights and obligations forming part of the instrument arise.

Financial assets and liabilities are accounted for in accordance with IFRS 9 “Financial Instruments”.

Financial assets

Initial recognition

Financial assets are classified into two categories alone - “at fair value” or “at amortized cost”. Classification within the two categories is carried out on the basis of an entity’s business model and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if both of the following requirements are met: the objective of the entity’s business model is to hold assets to collect contractual cash flows (and therefore in substance not to earn trading profits) and the characteristics of the cash flows of the asset are solely payments of principal and interest. A financial asset is measured at fair value if it is not measured at amortized cost.

Debt instruments may be recorded at fair value through profit or loss upon initial recognition if this results in the elimination or significant reduction of an accounting mismatch.

All equity instruments - both listed and unlisted - are measured at fair value.

The Group did not refer to the option of presenting changes in the fair value of equity instruments that are not held for trading in equity; that option is not permitted for equity instruments that are held for trading. This designation is permitted on initial recognition, may be adopted for each individual instrument and is irrevocable.

Subsequent valuation

Measurement subsequent to initial recognition depends on which of the following categories the financial instrument falls into:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value in the Income Statement with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value in the Income Statement without reversal of cumulative gains and losses at the time of derecognition (equity instruments);
- Financial assets at fair value in the Income Statement.

Financial assets at amortized cost

These are valued using the effective interest method and are subject to impairment.

Gains and losses are recognized in the income statement when the asset is derecognized, modified or revalued.

Investments in equity instruments

Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognized as other income in the income statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets measured at fair value through the income statement

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the Income Statement, or financial assets that must be measured at fair value.

Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those separated, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value in the Income Statement, regardless of the business model.

Financial instruments at fair value with changes recognized in the Income Statement are recognized in the statement of financial position at fair value and net changes in fair value are recognized in profit/(loss) for the year.

Dividends on listed equity investments are also recognized as other income in the statement of profit/(loss) for the year when the right to payment is established.

The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or in a principal non-financial contract, is separated from the principal contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated with it are not closely correlated with those of the principal contract; a separate instrument with the same terms as the embedded derivative would meet 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 recognized in the Income Statement. A restatement occurs only when there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value in the Income Statement.

An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified entirely as a financial asset at fair value in the Income Statement.

Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset no longer apply;
- the company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to transfer them. In substance, the transfer is completed when: the company has transferred all the risks and rewards of ownership of the asset or has transferred control of the asset while maintaining the related risks and rewards.

In cases where the company has transferred the rights to receive cash flows from an asset or signed an agreement under which it retains the contractual rights to receive the cash flows from 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 retained the risks and rewards of ownership. In the cases in which it has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to be recognized in the financial statements of the Group to the extent of its continuing involvement in the asset. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain with the Group.

When the entity's continuing involvement is a guarantee of the transferred asset, involvement is measured on the basis of the lower of the amount of the asset and the maximum amount of consideration received that the entity might have to repay.

Financial liabilities

Financial liabilities are classified, at the time of initial recognition, at fair value in the Income Statement, as mortgages and loans or as derivatives designated as hedges.

Directly attributable transaction costs are added to the valuation.

The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

The subsequent evaluation depends on the classification of the main instrument:

- financial liabilities at fair value in the Income Statement, typically of a trading nature (settlement and transfer in the short term). This category includes financial derivatives held for trading (speculative);
- loans and receivables: valued at amortized cost using the effective interest method. Gains and losses are recognized in the Income Statement when the liability is settled, as well as through amortization.

A financial liability is derecognized when the obligation underlying the liability is settled or cancelled.

Derivative financial instruments and hedge accounting

These are initially recognized at fair value on the date the contract is signed and the subsequent measurement is also at fair value.

To classify a derivative as a hedge, the company formally designates and documents the hedging relationship, its risk management objectives and the strategy pursued.

From January 1, 2018, the following must be identified: a) the hedging instrument b) the nature of the risk being hedged c) the way in which the company will assess the effectiveness of the hedge.

The hedging relationship is effective if:

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

Transactions that meet the above criteria are accounted for as follows:

Fair value hedging

If a derivative financial instrument is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a specific risk, the gain or loss resulting from subsequent changes in fair value of the hedging instrument is recognized in the Income Statement. The profit or loss deriving from the adjustment to fair value of the item hedged, for the part attributable to the hedged risk, changes the book value of this item and is recognized in the Income Statement. Cash flow hedge - If a derivative financial instrument is designated to hedge the exposure to the variability of the cash flows of an asset or a liability recognized in the Financial Statements or of a highly probable transaction, the effective portion of the resulting profits or losses deriving from the fair value adjustment of the derivative instrument is recognized in a specific equity reserve. The cumulative profit or loss is reversed from the equity reserve and recorded in the Income Statement in the same years in which the effects of the hedged transaction are recognized in the Income Statement. The gain or loss associated with that part of the ineffective hedge is recognized in the Income Statement immediately. If the hedged transaction is no longer considered probable, the unrealized gains or losses recognized in the equity reserve are immediately recognized in the Income Statement.

Cash flow hedges

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognized in other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognized directly in the Income Statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Amounts accumulated under other components of the comprehensive income statement are recorded, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial component, the accumulated amount in equity is removed from the separate component of equity and included in the cost or other carrying amount of the asset or liability hedged. This is not considered a reclassification of the items recognized in OCI for the period. This also applies in the case of a hedged forecast transaction of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which fair value hedge accounting is applied.

For any other cash flow hedge, the amount accumulated in OCI is reclassified in the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cash flows impact profit or loss.

If the cash flow hedge accounting is discontinued, the accumulated amount in OCI must remain so if the hedged future cash flows are expected to occur. Otherwise, the amount shall be immediately reclassified to profit or loss for the period as a reclassification adjustment. After suspension, once the hedged cash flow occurs, any accumulated amount remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Non-current assets held for sale, disposal groups and discontinued operations – IFRS 5

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered principally through sale rather than continuous use are measured at the lower of their carrying amount and fair value less costs to sell. A disposal group is a group of assets to be disposed of together as a group in a single transaction together with the liabilities directly associated with those assets that will be transferred in that transaction. Discontinued operations on the other hand consist of a significant component of the Group such as a separate major line of business or a geographical area of operations or a subsidiary acquired exclusively with a view to resale.

In accordance with IFRSs, the figures for non-current assets held for sale, disposal groups and discontinued operations are shown on two specific lines in the balance sheet: non-current assets held for sale and liabilities directly associated with non-current assets held for sale.

Non-current assets held for sale are not depreciated or amortized and are measured at the lower of carrying amount and fair value less costs to sell; any difference between carrying amount and fair value less costs to sell is recognized in the income statement as a write-down.

The net economic results arising from discontinued operations, and only discontinued operations, pending the disposal process, any gains or losses on disposal and the corresponding comparative figures for the previous year or period are recognized in a specific line of the Income Statement: "Net result from discontinued operations". On the other hand any gains or losses recognized as the result of measuring non-current assets (or disposal groups), classified as held for sale within the meaning of IFRS 5, at fair value less costs to sell are presented in a specific line item of the income statement "Result from non-recurring transactions", as discussed further in the previous section "Format of financial statements (2.3)".

Employee benefits

The employees' leaving entitlement (TFR) and pension provisions are determined using actuarial methods; the rights accrued by employees during the year are recognized in the Income Statement as "labor costs", whereas the figurative financial cost that the company would have to bear if it were to ask the market for a loan of the same amount as the TFR is recognized as part of the "financial balance". Actuarial gains and losses arising from changes in actuarial assumptions are recognized in income statement taking into account the residual average working life of the employees.

Following the introduction of Finance Law no. 296 of December 27, 2006, only the portion of accrued employees' leaving entitlement that remained in the company has been measured in accordance with IAS 19, as amounts are now paid over to a separate entity as they accrue (either to a supplementary pension scheme or to funds held by INPS). As a result of these payments the company no longer has any obligations in connection with the services employees may render in the future.

Guaranteed employee benefits paid on or after the termination of employment through defined benefit plans (energy discount, health care or other benefits) or long-term benefits (loyalty bonuses) are recognized in the period when the right vests.

The liability for defined benefit plans, net of any plan assets, is determined by independent actuaries on the basis of actuarial assumptions and recognized on an accrual basis in line with the work performed to obtain the benefits.

Gains and losses arising from actuarial calculations are recognized in a specific equity reserve.

Provisions for risks, charges and liabilities for landfills

Provisions for risks and charges regard costs of a determinate nature and of certain or probable existence which at year-end are uncertain in terms of timing or amount. Provisions are recognized when there is a legal or constructive present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, and it is possible to make a reasonable estimate of the obligation.

Provisions are recognized at the best estimate of the amount that the company would have to pay to settle the liability or to transfer it to third parties at the balance sheet date. If the effect of discounting is significant, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money. If discounting is used the increase in the provision due to the passage of time is recognized as financial expense.

If the liability relates to tangible assets (such as the dismantling and reclamation of industrial sites), the initial provision is recognized as a counter-entry to the assets to which it refers; expense is then charged to income statement as the asset in question is depreciated.

Treasury shares

Treasury shares are accounted for as a deduction from equity. In particular, treasury shares are recognized as a negative equity reserve.

Grants

Grants, both from public entities and from third party private entities, are measured at fair value when there is the reasonable certainty that they will be received and that the Group will be able to comply with the terms and conditions for obtaining them.

Grants received to provide support for the cost of specific assets are recognized as a direct deduction from the assets concerned and credited to the income statement over the life of the depreciable asset to which they refer.

Revenue grants (given to provide the company with immediate financial support or as compensation for expenses or losses incurred in a previous accounting period) are recognized in their entirety in the income statement as soon as the conditions for recognizing the grants are met.

Revenues and costs

The recognition of revenues is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously over time diluted and extended or at a point in time. Depending on the type of transaction, revenues are recognized on the basis of the following specific criteria:

- revenues for the sale and transport of electricity and gas are recognized at the time that the energy is supplied or the service rendered, even if invoicing has not yet taken place, and are determined by adding estimates of consumption to amounts resulting from pre- established meter-reading schedules. Where applicable, these revenues are based on the tariffs and related tariff restrictions in force during the year prescribed by the law and the Regulatory Authority for Energy, Networks and the Environment and similar foreign bodies;
- connection contributions paid by users, if not for costs incurred to extend the network, are recognized in the income statement on collection and presented as “revenues from services”;
- the revenues billed to users for an extension of the gas network are accounted for as a reduction in the carrying amount of tangible assets and are recognized in the income statement as a reduction in the depreciation charged over the useful life of the cost capitalized to extend the network;
- the revenues and costs involved in withdrawing quantities that are higher or lower than the Group’s share are measured at the prices envisaged in the related purchase or sale contract;
- revenues from the provision of services are recognized according to the stage of completion based on the same criteria as for contract work in progress. If it is impossible to calculate revenues on a reliable basis they are recognized up to the amount of the costs incurred providing they are expected to be recovered;
- revenues from the sale of certificates are recognized at the time of sale.

Revenues are stated net of returns, discounts, allowances and rebates, as well as directly related taxes.

Expenses relate to goods or services sold or consumed during the year or as a result of systematic allocation; if no future use is envisaged they are recognized directly in the income statement.

Result from non-recurring transactions

The item “Result from non-recurring transactions” is intended to include the results from the sale of investments in subsidiaries and associates and other non-operating expenses/income.

Financial income and expenses

Financial income is recognized when interest income arises using the effective interest method, i.e. at the rate that exactly discounts expected future cash flows over the expected life of the financial instrument.

Financial expense is recognized in the Income Statement on an accrual basis on the basis of the effective interest.

Dividends

Dividend income is recognized when it is established that the shareholders have a right to receive payment, and is recognized as financial income in the Income Statement.

Income taxes

Current taxes

Current income taxes are based on an estimate of taxable income in compliance with tax regulations in force or substantially approved at the balance sheet date, bearing in mind any exemptions or tax credits due. Account is also taken of the fact that the Group now files for tax on a consolidated basis.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax bases, with the exception of goodwill which is not deductible for tax purposes and any differences resulting from investments in subsidiaries which are not expected to reverse in the foreseeable future. The tax rates used are those expected to apply to the period when the temporary differences reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realized. The measurement of deferred tax assets takes account of the period for which business plans are available.

When transactions are recognized directly in equity, any related current or deferred tax effects are also recognized directly in equity. Deferred taxes on the undistributed profits of Group companies are only provided for if there is the real intention to distribute such profits and, in any case, if the taxation is not offset as the result of filing a Group tax return.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Taxes are only offset when they are levied by the same tax authority, when there is the legal right of set-off and when settlement of the net balance is expected.

Use of estimates

Preparing the financial statements and notes requires the use of estimates and assumptions in determining certain assets and liabilities and measuring contingent assets and liabilities. The actual results after the event could differ from such estimates.

Estimates have been used in assessing the recoverability of assets, to determine certain sales revenues, in provisions for risks and charges, in provisions for receivables and other write-downs, amortization and depreciation, the valuation of derivatives, employee benefits and taxes. The underlying estimates and assumptions are regularly reviewed and the effect of any change is immediately recognized in the income statement.

With reference to climate change risks, the Group believes that they are an implicit element in the application of the methodologies and models used to make estimates, evaluations and measurements of certain items in the financial statements. Management believes that the main areas of the financial statements at December 31, 2023, the valuation of which is subject to the use of estimates and judgement by management, also with reference to climate change risks, are those subject to impairment tests (tangible and intangible assets, including goodwill) and the provisions for risks, with specific reference to decommissioning provisions, and contingent liabilities. For further details, reference is made to the specific section "Climate change" in the Report on operations.

The following are the key assumptions made by management as part of the process of making these accounting estimates. The inherently critical element of such estimates comes from using assumptions or professional opinions on matters that are by their very nature uncertain. Changes in the conditions underlying the assumptions and opinions used could have a material impact on subsequent results.

Impairment Test

The carrying amount of non-current assets (including goodwill and other intangible assets) is reviewed periodically and whenever circumstances or events require a more frequent assessment. If it is considered that the book value of a group of fixed assets or an equity investment has had an impairment loss, it is subject to the application of professional judgement by management and is based on assumptions that include: the identification of the Cash Generating Units, the estimate of the future operating cash flows associated with these CGUs during the reference period of the 2023-2035 business plan, updated with the estimate of the cash flows subsequent to this time horizon, the cash flow deriving from the disposal at the end of useful life of the assets, discount rates used ("Wacc"). These assumptions are complex due to their nature and imply recourse to the opinion of the directors, who are also sensitive to future trends in energy markets, macroeconomic scenarios, and the resolutions of ARERA.

For the purpose of preparing the impairment test, the company avails itself of the support of an independent expert, external to the A2A Group.

In the hypothesis in which the recoverable value is lower than the carrying amount, the latter is written down to the extent applicable. Management is of the opinion that the estimates of such recoverable amounts are reasonable, albeit subject to changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements. For further details on the way in which impairment testing was carried out and the results of such testing, reference is made to the specific paragraph.

Revenue recognition

Revenues from sales include the estimate of accrued revenues related to gas and electricity consumed by customers and not yet subject to periodic reading at December 31, 2023 and the estimate of revenues accrued for gas and electricity consumed by customers and not yet billed at December 31, 2023, in addition to the revenues already billed to customers based on the periodic consumption readings made during the year. The processes and methods for evaluating and determining these estimates are based on sometimes complex assumptions that by their nature imply recourse to the opinion of the directors, in particular with regard to recognition of accrued revenues, as the methods used by the A2A Group to estimate the quantities of consumption between the date of the last reading and December 31, and therefore to value the revenues accrued during the year, are based on assumptions and complex calculation algorithms that concern various information systems. Furthermore, the estimate of consumption not subject to periodic reading is made by taking as reference the historical profile of each user, adjusted on the basis of climatic correction factors provided by the Regulatory Authority for Energy, Networks and the Environment (also "ARERA"), to incorporate other variables that can have an impact on consumption.

Provisions for risks and charges

In certain circumstances it is not easy to identify whether a legal or constructive present obligation exists. The directors assess these situations case by case, together with an estimate of the economic resources required to settle the obligation. Estimating such provisions is the result of a complex process that involves subjective judgements on the part of company management. When the directors are of the opinion that it is only possible that a liability could arise, the risks are disclosed in the section on commitments and contingent liabilities without making any provision.

Liabilities for landfills

The liabilities for landfills provision represents the amount set aside to meet the costs which will be incurred for the management of the period of closure and post-closure of landfills currently in use. The future outlays, calculated for each landfill by a specific appraisal updated annually, were discounted in accordance with the provisions of IAS 37.

Bad debts provision

The entry into force of IFRS 9 on January 1, 2018 has led to a change in the recognition of credit losses for the Group. The approach adopted is a forward-looking one, focusing on the probability of future losses on receivables, even in the absence of events that would suggest the need to write-down a credit position (Expected Losses).

The Company applies the IFRS 9 approach to the valuation of the bad debts provision, adopting different criteria depending on the characteristics of the receivables being analyzed. In particular, it is envisaged that receivables that are individually significant are subject to a specific analysis aimed at assessing their recoverability. The impairment of receivables not subject to specific valuation is instead determined by applying the business-specific unpaid ratio.

Amortization

Depreciation and amortization charges are a significant cost for the company. Non-current assets are depreciated or amortized on a straight-line basis over the useful lives of the assets. The useful lives of the company's non-current assets are established by the directors, with the assistance of expert appraisers, when they are purchased. The company periodically reviews technological and sector changes, dismantling/closure charges and the recovery amount of assets to update their residual useful lives. This periodic update could lead to a change in the period of depreciation or amortization and hence also in the depreciation or amortization charge in future years.

Measurement of derivative instruments

The derivatives used are measured at fair value based on the forward market curve at the balance sheet date, if the underlying of the derivative is traded on markets that provide official, liquid forward prices. If the market does not provide forward prices, forecast price curves are used based on simulation models developed by Group companies internally. However, the actual results of derivatives could differ from the measurements made.

Serious turbulence on markets for the energy commodities traded by the company, as well fluctuations in exchange and interest rates, could lead to greater volatility in cash flows and in expected results.

Employee benefits

The calculations of expenses and the related liabilities, estimated by independent experts, are based on actuarial assumptions. The full effects of any changes in these actuarial assumptions are recognized in a specific equity reserve.

Business combinations

Accounting for business combinations entails allocating the difference between purchase cost and net carrying amount to the assets and liabilities of the acquired business. For the majority of assets and liabilities this difference is allocated by recognizing the assets and liabilities at fair value. If positive, the unallocated portion is recognized as goodwill. If negative, it is recognized in the income statement. A2A S.p.A. bases its allocations on available information and, for the more significant business combinations, on external appraisals.

Current taxes and future recovery of deferred tax assets

The uncertainties that exist regarding the way of applying certain tax regulations have led the company to taking an interpretative stance when providing for current taxes in the financial statements; such interpretations could be overturned by official clarifications on the part of the tax authorities.

Deferred tax assets are accounted for on the basis of the taxable profit expected to be available in future years. Assessing the expected taxable profit for the purpose of accounting for deferred taxation depends on factors that can vary over time, and may lead to significant effects on the measurement of deferred tax assets.

2.9
Business Units

The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle.

These sectors are in turn attributable to the "Business Units" specified in the following scheme identified following the reorganization made by management:

Generation and Trading

- Thermoelectric, hydroelectric and other renewable plants
- Energy Management

Market

- Sale of Electricity and Gas
- Energy efficiency
- Electric mobility

Waste

- Waste collection and street sweeping
- Treatment
- Disposal and energy recovery

Smart Infrastructures

- Electricity networks
- Gas networks
- Integrated water cycle
- District Heating services
- Heat management services
- Development and management of technological infrastructures for integrated digital services
- Public lighting

Corporate

- Corporate services

This breakdown into Business Units reflects the organization of financial reports regularly analyzed by management and the Board of Directors in order to manage and plan the Group's business.

2.10
Results sector by sector

12 31 2023

millions of euro	Generation and Trading	Market	Waste	Smart Infrastructures	Corporate	Eliminations	**Income statement**
	01 01 2023 12 31 2023	01 01 2023 12 31 2023	01 01 2023 12 31 2023	01 01 2023 12 31 2023	01 01 2023 12 31 2023	01 01 2023 12 31 2023	**01 01 2023 12 31 2023**
Revenues	**10,920**	**7,140**	**1,458**	**1,552**	**337**	**(6,649)**	**14,758**
- of which inter-sector	*5,491*	*180*	*313*	*354*	*311*	*(6,649)*	
Operating expenses	**(9,992)**	**(6,777)**	**(718)**	**(904)**	**(230)**	**6,649**	**(11,972)**
- of which inter-sector	*(417)*	*(5,624)*	*(126)*	*(413)*	*(69)*	*6,649*	
Labour costs	(99)	(64)	(365)	(114)	(173)		(815)
Gross operating income - EBITDA	**829**	**299**	**375**	**534**	**(66)**		**1,971**
% of Revenues	*7.6%*	*4.2%*	*25.7%*	*34.4%*	*(19.1%)*		*13.4%*
Depreciation of tangible assets and amortization of intangible assets	(225)	(68)	(160)	(282)	(66)		(801)
Net write-downs of fixed assets	-	-	(1)	(1)	-		(2)
Provisions for risks	(50)	5	(9)	(11)	(3)		(68)
Provisions for credit risks	-	(69)	1	(10)	(5)		(83)
Net operating income - EBIT	**554**	**167**	**206**	**230**	**(140)**		**1,017**
% of Revenues	*5.1%*	*2.3%*	*14.1%*	*14.8%*	*(40.6%)*		*6.9%*
Result from non-recurring transactions							2
Financial balance							(140)
Result before taxes							879
Income taxes							(199)
Result after taxes from operating activities							680
Net result from discontinued operations							3
Minorities							(24)
Group result of the year							**659**
Gross capex (1)	332	92	214	631	110	(3)	1,376

(1) See the items “Capex” in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.

12 31 2022 Restated

millions of euro	Generation and Trading	Market	Waste	Smart Infrastructures	Corporate	Eliminations	Income statement
	01 01 2022 12 31 2022 Restated	01 01 2022 12 31 2022 Restated	01 01 2022 12 31 2022 Restated	01 01 2022 12 31 2022 Restated	01 01 2022 12 31 2022 Restated	01 01 2022 12 31 2022 Restated	**01 01 2022 12 31 2022 Restated**
Revenues	**19,605**	**8,798**	**1,422**	**1,529**	**320**	**(8,518)**	**23,156**
- of which inter-sector	*7,144*	*358*	*348*	*374*	*294*	*(8,518)*	
Operating expenses	**(18,960)**	**(8,615)**	**(710)**	**(905)**	**(221)**	**8,518**	**(20,893)**
- of which inter-sector	*(558)*	*(7,320)*	*(113)*	*(473)*	*(54)*	*8,518*	
Labour costs	(91)	(58)	(353)	(112)	(151)		(765)
Gross operating income - EBITDA	**554**	**125**	**359**	**512**	**(52)**		**1,498**
% of Revenues	*2.8%*	*1.4%*	*25.2%*	*33.5%*	*(16.3%)*		*6.5%*
Depreciation of tangible assets and amortization of intangible assets	(206)	(53)	(149)	(258)	(56)		(722)
Net write-downs of fixed assets	(1)	-	-	(1)	-		(2)
Provisions for risks	(30)	1	32	(3)	(2)		(2)
Provisions for credit risks	-	(88)	1	(2)	(1)		(90)
Net operating income - EBIT	**317**	**(15)**	**243**	**248**	**(111)**		**682**
% of Revenues	*1.6%*	*(0.2%)*	*17.1%*	*16.2%*	*(34.7%)*		*2.9%*
Result from non-recurring transactions							157
Financial balance							(88)
Result before taxes							751
Income taxes							(344)
Result after taxes from operating activities							407
Net result from discontinued operations							41
Minorities							(47)
Group result of the year							**401**
Gross capex (1)	272	71	264	560	73	-	1,240

(1) See the items “Capex” in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.
It should be noted that the values at December 31, 2022 have been restated to make them homogeneous with the values at December 31, 2023 by reclassifying the revenues, operating costs and depreciation and amortization related to the Water BU sold in 2023 under the item “Net result from discontinued operations/held for sale”.

12 31 2023

millions of euro	Generation and Trading	Market	Waste	Smart Infrastructures	Corporate	Eliminations and adjustments	Total Group
	12 31 2023	12 31 2023	12 31 2023	12 31 2023	12 31 2023	12 31 2023	12 31 2023
Capital employed							
Net fixed capital	**2,758**	**237**	**1,650**	**4,584**	**4,237**	**(3,899)**	**9,567**
- Tangible assets	2,499	57	1,356	2,510	261	(40)	6,643
- Intangible assets	423	388	608	2,105	106	-	3,630
- Shareholdings and other non-current financial assets	9	14	29	-	3,890	(3,859)	83
- Other non-current assets/liabilities	2	(209)	2	(31)	48	-	(188)
- Deferred tax assets/liabilities	236	15	35	100	78	-	464
- Provisions for risks, charges and liabilities for landfills	(391)	(20)	(334)	(57)	(26)	-	(828)
- Employee benefits	(20)	(8)	(46)	(43)	(120)	-	(237)
Net Working Capital and Other Current Assets/Liabilities	**(574)**	**586**	**(30)**	**27**	**(85)**	**(6)**	**(82)**
Net Working Capital	**(852)**	**623**	**13**	**81**	**(85)**	**(26)**	**(246)**
- Inventories	208	-	46	64	1	-	319
- Trade receivables	1,838	1,920	340	571	81	(1,210)	3,540
- Trade payables	(2,898)	(1,297)	(373)	(554)	(167)	1,184	(4,105)
Other current assets/liabilities	**278**	**(37)**	**(43)**	**(54)**	**-**	**20**	**164**
- Other current assets/liabilities	267	(31)	(33)	(66)	36	20	193
- Current tax assets/tax liabilities	11	(6)	(10)	12	(36)	-	(29)
Assets/Liabilities held for sale	-	-	-	-	-	-	-
Total capital employed	**2,184**	**823**	**1,620**	**4,611**	**4,152**	**(3,905)**	**9,485**

12 31 2022

millions of euro	Generation and Trading	Market	Waste	Smart Infrastructures	Corporate	Eliminations and adjustments	Total Group
	12 31 2022	12 31 2022	12 31 2022	12 31 2022	12 31 2022	12 31 2022	12 31 2022
Capital employed							
Net fixed capital	**2,549**	**108**	**1,582**	**4,354**	**4,125**	**(3,869)**	**8,849**
- Tangible assets	2,369	49	1,257	2,294	217	(24)	6,162
- Intangible assets	379	368	620	2,049	99	-	3,515
- Shareholdings and other non-current financial assets	4	21	29	1	3,873	(3,846)	82
- Other non-current assets/liabilities	12	(306)	-	(15)	13	-	(296)
- Deferred tax assets/liabilities	133	9	36	117	67	1	363
- Provisions for risks, charges and liabilities for landfills	(325)	(25)	(312)	(46)	(21)	-	(729)
- Employee benefits	(23)	(8)	(48)	(46)	(123)	-	(248)
Net Working Capital and Other Current Assets/Liabilities	**(668)**	**741**	**(113)**	**102**	**(180)**	**(6)**	**(124)**
Net Working Capital	**(917)**	**700**	**(66)**	**(28)**	**(65)**	**68**	**(308)**
- Inventories	445	-	40	49	2	-	536
- Trade receivables	3,106	2,119	295	491	71	(1,402)	4,680
- Trade payables	(4,468)	(1,419)	(401)	(568)	(138)	1,470	(5,524)
Other current assets/liabilities	**249**	**41**	**(47)**	**130**	**(115)**	**(74)**	**184**
- Other current assets/liabilities	250	38	(47)	129	(13)	(74)	283
- Current tax assets/tax liabilities	(1)	3	-	1	(102)	-	(99)
Assets/Liabilities held for sale	-	-	-	-	-	-	-
Total capital employed	**1,881**	**849**	**1,469**	**4,456**	**3,945**	**(3,875)**	**8,725**

2.11
Notes to the balance sheet

It is noted that the consolidation scope as at December 31, 2023 changed compared to December 31, 2022 for to the following operations:

- the acquisition by AEB S.p.A. of 90% of VGE 05 S.r.l., a company operating in the photovoltaic sector, with the consequent line-by-line consolidation;
- the acquisition by A2A Calore & Servizi S.r.l. of 100% of Termica Cologno S.r.l. with the consequent line-by-line consolidation;
- the incorporation on April 11, 2023 by A2A S.p.A. of A2A Services & Real Estate S.p.A. (formerly A2A Servizi S.r.l.), which is consolidated on a line-by-line basis, and contribution on October 1, 2023 by A2A S.p.A. (81.33%), Acinque S.p.A. (10.29%) and Ambiente Energia Brianza S.p.A. (8.38%), of a BU relating to employee, customer, supplier and building services;
- the acquisition by A2A Rinnovabili S.p.A. of 100% of Juwi Development 12 S.r.l. and Juwi Development 13 S.r.l. with consequent line-by-line consolidation;
- the incorporation of the companies R2R 01 S.r.l., R2R 02 S.r.l., R2R 03 S.r.l. and R2R 04 S.r.l., by R2R S.r.l., which owns 100% of it, consolidated on a line-by-line basis;
- the incorporation of the company Mogorella S.r.l. by A2A Rinnovabili S.p.A., which owns 100% of it, consolidated on a line-by-line basis;
- the sale by A2A Ambiente of 80% of Bioenergia Gualdo S.r.l., 55% of Energia Anagni S.r.l. and its 100% owned subsidiary Bionergia Roccasecca S.r.l., with the resulting exit from the scope of consolidation.

Assets

Non-current assets

1) Tangible assets

millions of euro	Balance at 12 31 2022	First-time consolid. effect	Changes						Balance at 12 31 2023
			Capex	Other changes	Disposals and sales	Write-downs/ Reversal	Amort.	Total changes	
Land	153		8	(2)	(5)		(1)		153
Buildings	574		14	53	(4)		(34)	29	603
Plant and machinery	4,125		284	619	(4)		(378)	521	4,646
Industrial and commercial equipment	57		18	(2)			(11)	5	62
Other assets	142		27	21	(2)		(34)	12	154
Landfills	14			2	(2)		(2)	(2)	12
Construction in progress and advances	800		556	(665)		(2)		(111)	689
Leasehold improvements	142		40				(29)	11	153
Assets for rights of use	155			50			(34)	16	171
Total	**6,162**	**-**	**947**	**76**	**(17)**	**(2)**	**(523)**	**481**	**6,643**
of which:									
Historical cost	14,112		947	114	(78)			983	15,095
Accumulated amortisation	(7,115)			(38)	61		(523)	(500)	(7,615)
Write-downs	(835)					(2)		(2)	(837)

"Tangible assets" amounted to 6,643 million euro at December 31, 2023 (6,162 million euro at December 31, 2022).

The changes in the year recorded an increase of 481 million euro as follows:

- increase of 947 million euro for capex in the year as further described below;
- decrease of 523 million euro for the depreciation charge for the year;
- net increase for other changes of 76 million due to the increase in rights of use in application of the IFRS16 accounting standard for 50 million euro, to the increase in the decommissioning provision and landfill closure and post-closure expenses for 45 million euro, to the decrease of 6 million euro following reclassifications to other financial statements items, the decrease of 6 million euro for tax credits for investments in new capital goods provided for by Law no. 178/2020, art.1 paragraph 1051, to decrease of 5 million euro due to the registration of contributions on investments from previous years, the decrease of 2 million euro following the reclassification among assets intended for the sale of some renewable assets;
- decrease of 17 million euro arising from disposals in the year, net of accumulated depreciation;
- decrease of 1 million euro as a result of write-downs made during the year on assets no longer considered functional to the A2A Group's business.

Capex may be analyzed as follows

- for the Smart Infrastructures Business Unit, capex amounted to 355 million euro and concerned: for 221 million euro the development and maintenance of electricity distribution systems, the expansion and renovation of the medium and low voltage network, as well as the installation of new electronic meters; for 102 million euro the development of district heating networks; for 13 million euro the Efficiency plan with new LED technology light sources, for 8 million euro interventions on the electric vehicle charging network, for 5 million euro interventions on the gas transport network, for 4 million euro interventions on the network and fiber optic equipment, as well as for 2 million euro the purchase of specific equipment for the gas network;
- for the Generation and Trading Business Unit, the increase was 316 million euro and concerned: 246 million euro for investments in thermoelectric plants, 47 million euro for investments in renewable energy plants, as well as 23 million euro for investments in hydroelectric plants;
- for the Waste Business Unit, capex amounted to 211 million euro and refer to: 174 million euro for work on the Group's waste treatment and disposal plants; 25 million euro for the acquisition and set-up of mobile means for waste collection and 12 million euro for the acquisition of collection facilities;
- for the Corporate Business Unit, investments, amounting to 57 million euro, mainly concerned, for 53 million euro, interventions on buildings in the areas of Milan, Brescia, Como, Monza Brianza, Lecco, Cremona and Rome, as well as for 4 million euro the implementation of telecommunications equipment;
- for the Market Business Unit, the increase was 8 million euro, mainly due to the energy efficiency plan at customers.

The Group is continuing to analyze the impact of regulatory amendments and confirms, to date, that the amounts recognized in the financial statements for dry and wet works related to hydroelectric concessions are prudent and recoverable also in accordance with the new regulations.

Tangible assets include "Assets for rights of use" totaling 171 million euro (155 million euro at December 31, 2022), recognized in accordance with IFRS16 and for which the outstanding payable to lessors at December 31, 2023 amounted to 177 million euro (152 million euro at December 31, 2022). Below is a breakdown of "Assets for rights of use" deriving from operating and financial leases at December 31, 2023:

Assets consisting of rights of use **millions of euro**	Balance at 12 31 2022	First-time consolid. effect 2023	**Changes**			**Balance at 12 31 2023**
			Other changes	Amort.	Tot. Changes	
Land	31		5	(6)	(1)	30
Buildings	50		21	(12)	9	59
Plant and machinery	3		2	(1)	1	4
Industrial, commercial equipment and other goods	35		3	(4)	(1)	34
Vehicles	36		19	(11)	8	44
Total	**155**	**-**	**50**	**(34)**	**16**	**171**

It is specified that the Group has made use of the option provided for in paragraph 6 of the standard not to apply the provisions of paragraphs 22 to 49 of the standard to the following categories:

a) Short-term leases;

b) Leases whose underlying assets are of low value.

2) Intangible assets

millions of euro	Balance at 12 31 2022	First-time consolid. effect	Changes						Balance at 12 31 2023
			Capex	Recl./ Other changes	Disp./ Sales	Write-downs	Amort.	Total changes	
Industrial patents and intellectual property rights	51		17	8			(27)	(2)	49
Concessions, licences, trademarks and similar rights	2,009	17	296	29	(41)		(187)	97	2,123
Goodwill	844	2							846
Assets in progress	155	2	67	(41)	(44)			(18)	139
Other intangible assets	456	1	49	31			(64)	16	473
Total	**3,515**	**22**	**429**	**27**	**(85)**	**-**	**(278)**	**93**	**3,630**

"Intangible assets" as at December 31, 2023 amounted to 3,630 million euro (3,515 million euro as at December 31, 2022) and included the effect of first-time consolidation of 22 million euro for the acquisition of VGE 05 S.r.l., Juwi Development 12 S.r.l., Juwi Development 13 S.r.l. and Termica Cologno S.r.l..

Through the application of IFRIC 12, from financial year 2010 intangible assets also include assets in concession, which relate to gas distribution.

The changes for the year, net of the above effect, recorded an overall increase of 93 million euro as follows:

- increase of 429 million euro for capex in the year as further described below;
- decrease of 278 million euro for the depreciation charge for the year;
- decrease of 85 million euro due to disposals for the year, net of the related accumulated depreciation, of which 81 million euro due to the sale of assets related to the integrated water service of ASVT S.p.A. to Acque Bresciane;
- net increase of 27 million euro for other changes, due to the 21 million euro increase in environmental certificates of the industrial portfolio and the 6 million euro increase for reclassifications from other financial statements items.

Capex of "Intangible assets" relate to the following:

- for the Smart Infrastructures Business Unit, investments amounting to 273 million euro are due to: development and maintenance of gas distribution systems and the replacement of underground medium and low pressure pipes for 146 million euro; works on the water transport and distribution network, sewerage networks and purification plants for 96 million euro, implementation of information systems for 30 million euro, as well as design, research and development costs for the heat plants of the areas of Milan, Brescia and Bergamo for 1 million euro;
- for the Market Business Unit, the increase is equal to 84 million euro due for 43 million euro to the capitalization of costs incurred for the management of contracts with customers following the application of the IAS IFRS15 standard and for 41 million euro to the implementation of information systems;
- for the Corporate Business Unit, the increase was 53 million euro mainly due to the implementation of information systems;
- for the Generation and Trading Business Unit, the increase was 16 million euro mainly due to the implementation of information systems;
- for the Waste Business Unit, capex amounted to 3 million euro mainly due to the implementation of information systems.

The item “Other intangible assets” amounted to 473 million euro at December 31, 2023 (456 million euro at December 31, 2022) and includes:

- 299 million euro for Customer lists related to the acquisition of customer portfolios by Group companies. These values are amortized based on an estimate of the benefits that will arise in future years, taking into account indicators such as the retention rate and churn rate relating to specific types of customers. In particular, the amount present in the financial statements is attributable for 99 million euro to the company A2A Ambiente S.p.A., for 82 million euro to the Acinque Group, for 67 million euro to the company A2A Energia S.p.A., for 34 million euro to the AEB Group, for 8 million euro to Asm Energia S.p.A., for 7 million euro to the company Yada Energia S.r.l. and for 2 million euro to A2A S.p.A., Aprica S.p.A. and LumEnergia S.p.A.;
- 88 million euro for PPA Società Rinnovabili: the increase in value is linked to the existing agreement with the Energy Services Manager, which allows the affiliated companies to benefit from incentive tariffs for a period of 20 years, which are considerably higher than those existing on the market;
- 44 million euro relating mainly to deferred charges and costs and surface rights and/or easements;
- 8 million euro for PPA of the Agripower Group: the increase in value is linked to the existing agreement with the Energy Services Manager, which allows the affiliated companies to benefit from incentive tariffs, which are considerably higher than those existing on the market;
- 34 million euro for Environmental Certificates: emission quotas and White Certificates (Industrial portfolio).

Impairment testing in accordance with IAS 36 on the carrying amount of goodwill and tangible and intangible assets

The objective of the impairment test required by IAS 36 is to ensure that the carrying amount of assets does not exceed their recoverable value.

Impairment testing is carried out whenever there is an indication that an asset may be impaired, while goodwill, which is not amortized on a systematic basis, must be tested for impairment at least on an annual basis, regardless of whether there is any indication of impairment.

A Cash Generating Unit (CGU) is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The definition of a CGU depends essentially on the type of activity carried out by the CGU, the business sector in which it operates and a company’s organizational structure.

The impairment test consists of comparing the carrying amount with an estimate of the recoverable value of that Cash Generating Unit. The recoverable value of Cash Generating Unit is the higher of its fair value less costs to sell and its value in use.

The fair value, net of selling costs, of a Cash Generating Unit is the amount, based on the best information available, that would be obtainable from the sale of the unit in a bargained transaction between knowledgeable, willing parties.

For “value in use” of a Cash Generating Unit, account was taken, for non-regulated businesses, of the current value of the estimated future cash flows, which are supposed to derive from the continuous use of the Cash Generating Unit and its disposal at the end of its useful life. For regulated businesses, in the specific case for the “A2a Reti Gas” CGU on the other hand, the value in use was defined on the basis of the estimated VIR (Residual Industrial Value).

The projection of the cash flows relating to each Cash Generating Unit was carried out by the company management based on reasonable and sustainable assumptions, such as to reflect the value of the Cash Generating Unit in its current conditions and with a view to maintaining normal company operating conditions.

On March 11, 2024, the A2A Board of Directors approved a long-term plan, 2024-2035.

In particular, the Plan is based on two main trends, Circular Economy and Energy Transition, to which all the Group’s Business Units contribute: in the coming years, objectives will be pursued mainly aimed at recovering waste heat, closing the waste cycle, decarbonization and electrification of consumption.

The main targets identified in the 2024-2035 Strategic Plan are:

- 22 billion euro of investments, of which:
- 6 billion euro for the Circular Economy
- 16 billion euro for Energy Transition
- CAPEX permissible with respect to the European Taxonomy: 78% average over the Plan period
- EBITDA: 2.2 billion euro by 2026 and more than 3.2 billion euro at the end of the Plan period
- Ordinary net profit equal to 0.6 billion euro in 2026 and greater than 1 billion euro by 2035
- increased installed capacity from renewable sources
- NFP/EBITDA less than 2.8x over plan
- the Group's commitment to maintain its current rating is confirmed.

For the sole purpose of the impairment test, the 2024-2035 Strategic Plan, in line with the provisions of IAS 36 paragraph 33[1], has been appropriately amended to exclude the impact of future improvements and optimizations, as described in more detail below. In particular, the calculation of value in use excluded EBITDA and CAPEX amounts related to extraordinary transactions/M&A and developments in the pipeline.

The Energy Scenario (PUN, PSV and EUA and other quantities relating to energy markets) and the assumptions relating to Climate Change (hydraulicity and degree days) underlying the business plan already reflect the scenarios that Management considers most probable. Consistent with the need to assess possible impacts from Climate Change and the Energy Scenario, it was decided to adopt a sensitivity analysis for the CGUs most exposed to the macroeconomic variables related to Hydraulics, Degree Days and the Energy Scenario (CCGT Generation, Renewable Generation and Heat).

It is important to state at the outset that the sensitivity analyses were carried out considering all other underlying assumptions of the Plan unchanged. The A2A Group, however, has a mix of alternative production sources that can be variously and alternatively used to better adapt to external conditions, including price conditions, as they arise. It is therefore easy to see that, for example, in the event of particularly low prices, one might decide to only activate CCGT plants during peak hours of particularly favorable prices, or, activate hydroelectric plants offering higher margins. Therefore, through such appropriate production "switches" that the Group pursues, potential negative scenario effects can be mitigated, and in some cases avoided.

For more information, see Climate Change.

The technical support for the impairment test was entrusted to an independent expert who, among other things, analyzed the relevant components and hypotheses of the economic-financial projections drawn up by the Group's management, carried out comparisons and checks regarding the correctness of the sources and hypotheses used, developed the hypotheses regarding the growth rate beyond the Plan horizon for the determination of the normalized flows up to the end of the useful life of the plants.

Finally, the independent expert estimated the discount rate consistent with the cash flows considered, i.e. post-tax weighted average cost of capital (WACC). In detail, the WACC rate used was estimated according to the criteria widely used in valuation practice and in line with last year's impairment exercise in order to reflect current market valuations with reference to the current value of money, country risk and the specific risks associated with the activity.

1 which requires "b) basing cash flow projections on the most recent budget/forecast approved by management, however excluding any future cash inflows or outflows estimated to arise from future restructuring or improvements or optimizations in business performance. Projections based on these budgets/forecasts must cover a maximum period of five years, unless a longer time frame can be justified".

Goodwill

At December 31, 2023, goodwill amounted to 846 million euro:

millions of euro	Balance at 12 31 2022	Changes					Balance at 12 31 2023
		First-time consolid. acquisitions 2023	PPA Effect	Reclass./ Other changes	Write-downs	Total changes	
CGU:							
A2A Reti Elettriche							
A2A Ambiente	473					-	473
A2A Reti Gas	41					-	41
A2A Gas	74					-	74
A2A Calore	22			2		2	24
A2A Vendita Energia Elettrica	7					-	7
A2A Generazione Rinnovabili	227					-	227
Total	**844**	**-**	**-**	**2**	**-**	**2**	**846**
First-time consolidation effect							
Termica Cologno S.r.l.		2		(2)		-	-
Total	**-**	**2**	**-**	**(2)**	**-**	**-**	**-**
Total Goodwill	**844**	**2**	**-**	**-**	**-**	**2**	**846**

During the year 2023, the A2A Group completed the following transaction:

- the acquisition by A2A Calore & Servizi S.r.l. of 100% of Termica Cologno S.r.l. company that owns a cogeneration thermoelectric power plant, which resulted in the recognition of goodwill in the amount of 2 million euro. The acquisition falls within the scope of application of IFRS3 and at December 31, 2023, goodwill was allocated to the Calore CGU.

Since goodwill does not generate independent cash flows and cannot be sold separately, the impairment testing of recognized goodwill is carried out in a residual manner by referring to the Cash Generating Unit to which it may be reasonably allocated.

CGU with Goodwill	Value in millions of euro at 12 31 2023	Recoverable Value	WACC 2023 post-tax (1)	Growth rate g 2023	Balance scenario (2)	
					WACC of reference (3)	Growth rate g
A2A Ambiente	473	Use value	7.1%	0.0%	9.7%	0.0%
A2A Reti Gas	41	Use value	n.a.	0.0%	n.a.	n.a.
A2A Gas	74	Use value	7.0%	0.0%	34.6%	0.0%
A2A Generazione Rinnovabili	227	Use value	6.5%	0.0%	19.8%	0.0%
A2A Calore	24	Use value	5.7%	0.0%	5.9%	0.0%
A2A Vendita Energia Elettrica	7	Use value	7.0%	0.0%	16.9%	0.0%
Total	**846**					

(1) Nominal post-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

CGU with Goodwill	Value in millions of euro at 12 31 2022	Recoverable Value	WACC 2022 post-tax (1)	Growth rate g 2022	Balance scenario (2)	
					WACC of reference (3)	Growth rate g
A2A Ambiente	473	Use value	6.8%	0.0%	10.1%	0.0%
A2A Reti gas	41	Use value	5.2%	0.0%	6.6%	0.0%
A2A Gas	74	Use value	6.7%	0.0%	8.6%	0.0%
A2A Generazione Rinnovabili	66	Use value	6.7%	0.0%	12.9%	0.0%
A2A Calore	22	Use value	6.2%	0.0%	6.3%	0.0%
A2A Vendita Energia Elettrica	7	Use value	6.7%	0.0%	8.2%	0.0%
Total	**683**					

(1) Nominal post-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

With reference to the above CGUs, the impairment test was performed as follows:

- for the "A2A Ambiente" CGUs, it was conducted by comparing the recoverable value determined as fair-weighted average of the values in use of the definite useful life scenario and the indefinite useful life scenario;
- for the "A2A Reti Gas" CGU, the analysis was conducted by comparing the recoverable value determined on the basis of the VIR estimate;
- for the "A2A Calore" CGU, "A2A Gas" CGU, "Generazione Rinnovabili" CGU and the "Vendita Energia Elettrica" CGU, the analysis was conducted by comparing the recoverable value determined on the basis of the indefinite useful life scenario.

"A2A Ambiente" Cash Generating Unit

The "A2A Ambiente" Cash Generating Unit operates in the solid urban waste segment and in the special and hazardous waste segment, performs collection and street sweeping activities in the municipalities of Milan, Brescia, Bergamo, Lodi and Como and in a number of municipalities of the relative provinces, is the owner of waste-to-energy and industrial plants (in the municipalities of Milan, Brescia, Bergamo, Filago, Corteolona, Cremona, Parona and Como) and manages the Acerra waste-to-energy plant. It also has several waste treatment plants and a number of landfills.

The A2A Group's Consolidated Financial Statements at December 31, 2023 include goodwill of 473 million euro associated with this CGU. Of this goodwill, 227 million euro arises from the acquisition of the Ecodeco Group between 2005 and 2008 (the former Ecodeco Cash Generating Unit), 5 million euro from the merger between ASM Brescia S.p.A. (subsequently incorporated into AEM S.p.A., with simultaneous change of its name into A2A S.p.A.) and BAS S.p.A., 30 million euro as the residual value of the goodwill of the former LGH Group at the end of the PPA process for the then acquisition of 51% of the Group, 2 million euro to the allocation to the CGU in 2019 of a residual portion of the goodwill recorded following the consolidation of the Acinque Group and 5 million euro as residual goodwill at the conclusion of the PPA activity for the acquisition of the company Electrometal S.r.l. (merged by incorporation at December 31, 2023 into A2A Ambiente S.p.A.) and 204 million euro as goodwill recognized upon completion of the PPA process for the acquisition of TecnoA (merged by incorporation at December 31, 2023 into A2A Ambiente S.p.A.).

In determining the value in use, an average of an indefinite-life and a definite-life scenario was considered, also prudentially, in line with previous years.

No impairment loss was noted during the impairment testing as the recoverable value significantly exceeds the net capital employed including the value of goodwill recorded.

Finally, in addition to the sensitivity analyses on the equilibrium scenarios, highlighted in the tables above, sensitivity analyses were carried out which showed, holding all other factors constant, a 0.25% increase/decrease in WACC confirms recoverable values significantly higher than book values.

"A2A Reti Gas" Cash Generating Unit

The "A2A Reti Gas" CGU includes the Group's gas distribution and metering activities. In particular, it deals with the design and construction of gas networks, their operation and maintenance, as well as the management of requests for connection and quality control and continuity of service.

The goodwill of 41 million euro associated to the "A2A Reti Gas" CGU arises mainly from various acquisitions made by A2A Reti Gas S.p.A. (now Unareti S.p.A.) over the last few years, relating to companies operating as gas distributors in about 200 Italian municipalities (the activity is mainly concentrated in Lombardy and Piedmont) for 38 million euro as well as 3 million euro from the allocation to the CGU in 2019 of a portion of the goodwill recorded following the consolidation of the Acinque Group.

The recoverable value of the goodwill attributed to the "A2A Reti Gas" Cash Generating Unit was determined on the basis of the VIR estimate, considering the value of the RAB (Regulatory Asset Base) as the starting point.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.

"A2A Gas" Cash Generating Unit

The goodwill arising from the consolidation of the "A2A Gas" Business Unit, amounting to 74 million euro, refers to the area involved in selling gas to end customers (residential and business) and wholesalers and was impairment tested. It should be noted that the "A2A Gas" Cash Generating Unit consists of the portion of goodwill arising from the merger between BAS S.p.A. and A2A S.p.A. for 7 million euro, for 24 million euro of the allocation to the CGU in 2019 of a portion of the goodwill recorded following the consolidation of the Acinque Group, and for 43 million euro of a portion of goodwill allocated to the CGU following the consolidation of the AEB Group.

The recoverable value of the goodwill attributed to the CGU during the impairment test, was determined by considering an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.

Finally, in addition to the sensitivity analyses on the equilibrium scenarios, highlighted in the tables above, sensitivity analyses were carried out which showed, holding all other factors constant, a 0.25% increase/decrease in WACC confirms recoverable values significantly higher than book values.

"A2A Calore" Cash Generating Unit

The goodwill arising from the consolidation of the "A2A Calore" Business Unit, amounting to 24 million euro, is held by a number of companies of the A2A Group active in the production, distribution and sale of district heating. In particular, the goodwill of the Cash Generating Unit in question is mainly composed of 18 million euro of a part of the goodwill arising from the merger between BAS S.p.A. and A2A S.p.A., 1 million euro for the allocation to the CGU in 2019 of a portion of the goodwill recorded following the consolidation of the Acinque Group and 2 million euro to the allocation to the CGU of the goodwill generated for the acquisition during the financial year of the company Termica Cologno S.r.l..

The recoverable value of goodwill attributed to the "A2A Calore" CGU during the impairment test, was determined on the basis of an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.

Two sensitivity analyses were performed for said CGU: the one related to the energy scenario and the one on average temperature (Degree Days[2]).

2 The Degree Day (DD) of a location is the sum over all days in a conventional annual heating period of only the daily positive differences between the temperature (T0), conventionally set for each country, and the daily average outdoor temperature of hourly data (Te). Presidential Decree No. 412 of August 26, 1993 conventionally sets the ambient temperature T0 at 20 °C.

With regard to the energy scenario, the analysis was based on volatility simulations from historical data. Specifically, volatilities were calculated by simulating - for each commodity and for each month in the period between 2024 and 2035 - 10,000 price scenarios using a Monte Carlo generator and a stochastic process known as Geometric Brownian Motion (GBM). These volatilities formed the basis for determining the macroeconomic price scenario used for sensitivity purposes.

The sensitivity results are within a range of -45 million euro and +86 million euro.

In relation to the Degree Days, as already described in the report on operations, the effects were estimated starting from the variation trends in the average temperatures of the autumn and winter periods (minimum, average and maximum variations) determined by ISPRA through statistical processing on historical data (source: SNPA System Report/36 2023).

For the purposes of the analysis, the Group therefore positioned itself on the worst-case scenario (reduction of 46 average Degree Days over the Plan period). This assumption of a progressive increase in the average temperature of the reference areas, which are particularly 'stressed', would lead to a write-down of -28 million euro.

Finally, in addition to the sensitivity analyses on the equilibrium scenarios, highlighted in the tables above, sensitivity analyses were carried out, which showed, holding all other factors constant, a 0.25% increase/decrease in WACC leads to values ranging from -26 million euro to +70 million euro.

"Generazione Rinnovabili" Cash Generating Unit

The activity of the "Generazione Rinnovabili"' Cash Generating Unit relates to the management of the Group's hydroelectric, photovoltaic and wind power plants and the consequent production of electricity. The total installed capacity is about 2.2 GW.

The goodwill arising from the consolidation of the "Generazione Rinnovabili" Cash Generating Unit, amounting to 227 million euro, refers for 65 million euro to the allocation of goodwill generated from the acquisition of the Octopus Renewables portfolio, for 17 million euro to the allocation of goodwill, upon completion of the PPA process, for the acquisition of the Rovere portfolio, for 144 million euro to the goodwill allocated for the acquisition of the Ellisse portfolio, and for the remaining part to the allocation to the CGU of a portion of the goodwill recognized as a result of the consolidation of the Acinque Group, carried out in 2019.

The recoverable value of the goodwill attributed to the CGU during the impairment test, was determined by considering an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.

Two sensitivity analyses were performed for the CGU: energy scenario and hydraulicity.

Regarding the energy scenario, as mentioned above. The sensitivity results confirm the full recoverability of the assets recorded in the financial statements.

With regard to hydroelectricity, the impacts on hydroelectricity generation were calculated from analyses of the Group's historical data, per individual hydroelectric core. Said analyses identified the year 2022 as the worst in terms of production. For the purposes of sensitivity, it was also assumed that such a worst-case scenario could occur twice during the plan period: this lower hydraulicity was reflected equally over all plan years.

Finally, in addition to the sensitivity analyses on the equilibrium scenarios, highlighted in the tables above, sensitivity analyses were carried out which showed, holding all other factors constant, a 0.25% increase/decrease in WACC confirms recoverable values higher than book values.

“Vendita Energia Elettrica” Cash Generating Unit

The “Vendita Energia Elettrica” Cash Generating Unit is active in the retail sale of electricity to customers in the free market and does not include the activities of the Greater Protection service[3].

The goodwill arising from the consolidation of the “Vendita Energia Elettrica” Cash Generating Unit, amounting to 7 million euro, refers to the allocation to the CGU of a portion of the goodwill recorded following the consolidation of the AEB Group, the results of which were consolidated in 2020.

The recoverable value of the goodwill attributed to the CGU during the impairment test, was determined by considering an indefinite useful life scenario.

No impairment loss was noted during the impairment testing as the recoverable value exceeds the net capital employed including the value of goodwill recorded.

Finally, in addition to the sensitivity analyses on the equilibrium scenarios, highlighted in the tables above, sensitivity analyses were carried out which showed, holding all other factors constant, a 0.25% increase/decrease in WACC confirms recoverable values higher than book values.

CGU

CGU 12 31 2023	Recoverable Value	WACC 2023 post-tax (1)	Balance scenario (2) WACC of reference (3)
Generazione Termoelettrica CGU	Use value	7.3%	8.1%

CGU 12 31 2022	Recoverable Value	WACC 2022 post-tax (1)	Balance scenario (2) WACC of reference (3)
Generazione Termoelettrica CGU	Use value	7.1%	7.1%

(1) Nominal post-tax discount rate applied to future cash flows.
(2) Rates resulting from the sensitivity assessment made by the expert in order to achieve balance between the use values and carrying amounts subjected to impairment testing.
(3) The simulation was performed on the WACC rate of reference, with the simultaneous adjustment of the terminal flow rate (if applicable).

“Generazione Termoelettrica” Cash Generating Unit

Although the Cash Generating Unit “Thermoelectric Generation” does not include any goodwill, it was subjected to an impairment test because its headroom at December 31, 2022 was small.

The activity of the “Generazione Termoelettrica” Cash Generating Unit is aimed at the production of electricity from gas-fired thermoelectric power plants (CCGT). The A2A Group operates CCGT plants with a total installed capacity of 5.9 MW. This CGU had been impaired in previous years.

The value in use of this CGU was determined from a single indefinite useful life scenario.

For the purposes of the impairment test on the carrying amount of tangible assets relating to the Generazione Termoelettrica CGU, the Enterprise Value of the assets (Value in Use) was compared with the relative Carrying Amount at December 31, 2023.

No impairment loss was identified during the impairment test as the recoverable value is higher than the net capital employed.

3 The Greater Protection service applies to customers with low-voltage domestic utilities, utilities for other non-domestic uses and public lighting (in other words, small businesses connected to a low voltage supply, with less than 50 employees and annual turnover < 10 million euro). This category includes all users who selected the so-called Free Market and ended up without a supplier. The Greater Protection service guarantees the supply of electricity at prices established by ARERA (Regulation Authority for Energy Networks and Environment).

An energy scenario sensitivity analysis was carried out: the analysis was based on Monte Carlo method simulations through the generation of 10,000 price scenarios on the three commodities (PUN, PSV, EUA) that influence the margins of gas-fired combined cycle plants. The sensitivity results are within a range of -81 million euro and +322 million euro.

Specifically, volatilities were calculated by simulating - for each commodity and for each month in the period between 2024 and 2035 - 10,000 price scenarios using a Monte Carlo generator and a stochastic process known as Geometric Brownian Motion (GBM). These volatilities formed the basis for determining the macroeconomic price scenario used for sensitivity purposes.

Finally, in addition to the sensitivity analyses on the equilibrium scenarios, highlighted in the tables above, sensitivity analyses were carried out which showed, holding all other factors constant, a 0.25% increase/decrease in WACC confirms recoverable values higher than book values.

3) Shareholdings and other non-current financial assets

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Shareholdings carried according to equity method	33		(3)	30	-	-
Other non-current financial assets	70		(3)	67	21	14
Total shareholdings and other non-current financial assets	**103**	**-**	**(6)**	**97**	**21**	**14**

The following table provides details of the changes in the value of “Shareholdings carried according to equity method”:

Shareholdings carried according to equity method millions of euro	Total
Balance at December 31, 2022	**33**
First-time consolidation effect acquisitions 2023	
Changes:	
- acquisitions and capital increases	
- valuations at equity	2
- write-downs	(2)
- reversals	
- dividends received from shareholdings in companies carried at equity	(1)
- sales and decreases	(2)
- other changes	
- reclassifications	
Total changes	**(3)**
Balance at December 31, 2023	**30**

The value of “Shareholdings carried according to equity method” amounted to 30 million euro, down 3 million euro from the previous year as a result of the sale of 26% of the shareholding in Suncity Group for 2 million euro and the collection of dividends of 1 million euro.

The details of the shareholdings are provided in annex no. 2 “List of shareholdings carried according to equity method”.

“Other non-current financial assets” showed a balance of 67 million euro at December 31, 2023, a decrease of 3 million euro compared to the figure at December 31, 2022, of which 7 million euro related to the repayment of loans to third parties, a decrease of 4 million euro in equity investments in other companies following reclassifications made during the year, the increase of 4 million euro for investments made in innovative start-up companies through Corporate Venture Capital projects and, residually, the increase of 4 million euro for advances paid on investments for future projects for the development of plants for the production of electricity from renewable sources.

At December 31, 2023, “Other non-current financial assets” refer, in addition to the aforementioned case, to medium/long-term financial receivables for 14 million euro, of which 9 million euro relating to loans to third parties which include, for 6 million euro, receivables for the management of the Cedrasco biocube plant by the subsidiary Bioase in application of IFRIC 12 and for 5 million euro receivables from the Municipality of Brescia concerning the management of public lighting in application of IFRIC 12. The item also includes 15 million euro for the deposit request in a specific current account, of the sums seized by the Court of Taranto as part of the ongoing proceeding against the subsidiary Linea Ambiente S.r.l. for 24 million euro investments made in innovative start-ups through Corporate Venture Capital projects and for 2 million euro investments in other companies, for details of which see annex no. 3 “List of equity investments in other companies”.

4) Deferred tax assets

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Net changes of the year	Balance at 12 31 2023
Deferred tax assets	363	-	101	464

“Deferred tax assets” amounted to 464 million euro (363 million euro at December 31, 2022) and showed an increase of 101 million euro due mainly to the recognition of net deferred tax assets as described below.

It should be noted that in the year under review, the possibility was exercised, pursuant to Article 15, paragraphs 10 et seq. of Legislative Decree No. 185/2008, to revalue, or recognise, the higher tax values of controlling interests arising from the Purchase Price Allocation (PPA) process and recognized in the consolidated financial statements as goodwill and other intangible assets.

Against the payment of the substitute tax of 33 million euro, the derogatory revaluation resulted in the recognition of net deferred tax assets of 55 million euro, relating to off-balance-sheet deductions of the higher revalued values. These deferred tax assets will be released pro rata in connection with off-balance-sheet deductions starting in 2025.

The item includes the net effect, as detailed in the table below to which reference is made, of deferred tax liabilities and deferred tax assets for IRES and IRAP on changes and provisions made solely for tax purposes. The recoverability of “Deferred tax assets” recorded in the financial statements is considered likely, as the future plans envisage taxable income sufficient to use the deferred tax assets.

At December 31, 2023, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net (“offsetting”) as per IAS 12 standards.

The following table sets out the main deferred tax assets and liabilities.

Detail of deferred tax assets and liabilities	Consolid. financial statements 12 31 2022	First-time consolid. effect	Provisions (A)	Uses (B)	Exemption DL 185/2008 (C)	Other (D)	TOTAL (A+B+C+D)	IFRS 9 to Equity	IAS 19 Revised to Equity	Consolid. financial statements 12 31 2023
Deferred tax liabilities										
Value differences of tangible assets	324		1	(29)			(28)			296
Application of the finance lease standard (IFRS 16)							-			-
Application of the financial instrument standard (IFRS 9)							-			-
Value differences of intangible assets	98		(7)	(3)	(14)		(24)			74
Deferred capital gains							-			-
Employee leaving entitlement (TFR)	2						-			2
Goodwill	6						-			6
Other deferred tax liabilities	18			(1)		(10)	(11)			7
Total deferred tax liabilities (A)	**448**	**-**	**(6)**	**(33)**	**(14)**	**(10)**	**(63)**	**-**	**-**	**385**
Deferred tax assets										
Taxed risk provisions	133		30	(6)			24			157
Value differences of tangible assets	438		12	(36)		9	(15)			423
Application of the financial instrument standard (IFRS 9)	(22)						-	4		(18)
Bad debts provision	37		18	(11)			7			44
Value differences of intangible assets	8						-			8
Grants	16						-			16
Goodwill	160			(14)			(14)			146
Other deferred tax assets	41		5	(21)	41	2	27	5		73
Total deferred tax assets (B)	**811**	**-**	**65**	**(88)**	**41**	**11**	**29**	**9**	**-**	**849**
NET EFFECT DEFERRED TAX ASSETS/ LIABILITIES (B-A)	**363**	**-**	**71**	**(55)**	**55**	**21**	**92**	**9**	**-**	**464**

5) Other non-current assets

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	**Balance at 12 31 2023**	of which included in the NFP	
					12 31 2022	12 31 2023
Other non-current assets	74		62	136	-	-
Non-current derivatives	12		(10)	2	12	2
Total other non-current assets	**86**	**-**	**52**	**138**	**12**	**2**

“Other non-current assets” were up by 62 million euro compared to December 31, 2022. This change is mainly attributable to the increase of receivables from the tax authorities for tax benefits under building bonuses due beyond the next financial year, for 52 million euro, the increase in security deposits for 18 million euro (of which 24 million euro paid to the Municipality of Milan for redevelopment charges), partly offset by the reduction in receivables for prior-year items related to water service revenues for 7 million euro.

“Non-current derivative instruments” amounted to 2 million euro, down 10 million euro compared to December 31, 2022. This item refers to interest rate hedging instruments and the decrease is attributable to a reduction in their fair value measurement.

Current assets

6) Inventories

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes of the year	Balance at 12 31 2023
- Materials	115	-	23	138
- Material obsolescence provision	(23)		(2)	(25)
Total materials	92	-	21	113
- Fuel	435		(236)	199
- Others	7		(2)	5
Raw and ancillary materials and consumables	**534**	**-**	**(217)**	**317**
Third-party fuel	**2**		**-**	**2**
Total inventories	**536**	**-**	**(217)**	**319**

“Inventories” amounted to 319 million euro (536 million euro at December 31, 2022), net of the related obsolescence provision for 25 million euro (23 million euro at December 31, 2022).

Inventories show a total decrease of 217 million euro, as detailed below:

- 236 million euro attributable to the decrease in fuel inventories, which mainly reflects the decreasing trend observed during the year in the reference scenario (the inventories include the inventories of fuels for the production of electricity and the inventories of gas for the sales and storage activities thereof);
- 21 million euro related to the increase in inventories of materials, including the allocation to the material obsolescence provision;
- other decreases amounting to 2 million euro.

7) Trade receivables

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes of the year	Balance at 12 31 2023
Trade receivables – invoices issued	1,404		403	1,807
Trade receivables – invoices to be issued	3,468		(1,495)	1,973
(Bad debts provision)	(192)		(48)	(240)
Total trade receivables	**4,680**	**-**	**(1,140)**	**3,540**

At December 31, 2023, “Trade receivables” amounted to 3,540 million euro (4,680 million euro at December 31, 2022), with a decrease of 1,140 million euro. In detail, the changes were as follows:

- for 1,126 million euro, the decrease in trade receivables from customers, which at December 31, 2023, showed a balance of 3,407 million euro (4,533 million euro at December 31, 2022);
- for 2 million euro, the decrease in receivables from associates, which had a balance of 53 million euro (55 million euro at the end of the previous year);
- for 4 million euro, the increase in receivables from the Municipalities of Milan and Brescia, which amounted to 80 million euro at year-end (76 million euro at December 31, 2022);
- the decrease in receivables for contract work in progress of 16 million euro (16 million euro as at December 31, 2022).

The change in trade receivables is mainly attributable to the reduction in tariffs for the sale of electricity and gas during the year in the reference scenario.

The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 240 million euro and showed a net increase of 48 million euro compared to December 31, 2022. This provision is considered adequate to cover the risks to which it relates.

The changes in the Bad debts provision are outlined in the following table:

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Provisions	Uses	Other changes	Balance at 12 31 2023
Bad debts provision	**192**	**-**	**82**	**(33)**	**(1)**	**240**

Provisions for the year amounted to 82 million euro, a decrease of 6 million euro compared to December 31, 2022 in relation to a lower credit exposure to customers due to the trend in the energy scenario, which compared to the previous year, saw a reduction in electricity and gas sales tariffs.

The following is the aging of trade receivables:

millions of euro	12 31 2022	12 31 2023
Trade receivables of which:	**4,680**	**3,540**
Current	**978**	**1,195**
Past due of which:	**426**	**612**
- Past due up to 30 days	60	114
- Past due from 31 to 180 days	198	202
- Past due from 181 to 365 days	73	114
- Past due over 365 days	95	182
Invoices to be issued	**3,468**	**1,973**
Bad debts provision	**(192)**	**(240)**

8) Other current assets

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Current derivatives	2,861		(1,335)	1,526	-	1
Other current assets of which:	428		310	738		
- receivables from Cassa per i Servizi Energetici e Ambientali	140		(65)	75		
- advances to suppliers	10		2	12		
- receivables from employees	1		-	1		
- tax receivables	139		(9)	130		
- receivables related to future years/periods	34		(7)	27		
- water cycle BU receivables	-		41	41		
- receivables from social security entities	3		-	3		
- Stamp office	1		-	1		
- receivables for damage compensation	1		(1)	-		
- receivables for COSAP advances	1		(1)	-		
- receivables for security deposits	12		367	379		
- receivables for RAI fee	3		1	4		
- credit transfer Ge.S.I.	2		-	2		
- other sundry receivables	81		(18)	63		
Total other current assets	**3,289**	**-**	**(1,025)**	**2,264**	**-**	**1**

“Other current assets” showed a balance of 2,264 million euro compared to 3,289 million euro at December 31, 2022, highlighting a decrease of 1,025 million euro.

“Current derivative instruments” show a decrease of 1,335 million euro attributable to a reduction in the fair value measurement due to a lower average difference between subscription prices and market prices.

Receivables from Cassa per i Servizi Energetici e Ambientali, amounting to 75 million euro (140 million euro at December 31, 2022), mainly refer to receivables for equalizations pertaining to both 2023 and to outstanding receivables for equalizations pertaining to previous years and receivables for tariff components, net of collections made in the current year.

Tax receivables, equal to 130 million euro (139 million euro at December 31, 2022), mainly refer to receivables from the tax authorities for withholding taxes (mainly referring to tax credits for Ecobonus) and excise duties.

Receivables related to future years amounted to 27 million euro (34 million euro at December 31, 2022) and mainly refer to the advance payment of water derivation fees and insurance premiums.

Receivables for security deposits amounted to 379 million euro (12 million euro at December 31, 2022) and included 297 million euro for the deposit made by A2A S.p.A. to the Manager of the Electricity Market for operations on the electricity market as well as the deposit made to Snam Rete Gas to cover gas balances and the payment of 81 million euro made by A2A Energia S.p.A. relating mainly to the security deposit paid to Terna for the renewal of the withdrawal dispatching contract.

The water cycle BU receivable of 41 million euro is related to the sale of the water BU of the subsidiary Azienda Servizi Valtrompia S.p.A..

Other receivables, which amounted to 63 million euro (81 million euro as at December 31, 2022), decreased by 18 million euro mainly as a result of the completion of energy requalification and efficiency works at condominiums and third parties related to building bonuses.

9) Current financial assets

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Other financial assets	14	-	19	33	14	33
Total current financial assets	**14**	**-**	**19**	**33**	**14**	**33**

"Current financial assets" amounted to 33 million euro (14 million euro at December 31, 2022). This item mainly refers to financial receivables from minority shareholders and third parties.

10) Current tax assets

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023
Current tax assets	**35**	**-**	**6**	**41**

At December 31, 2023, this item amounted to 41 million euro (35 million euro at December 31, 2022) and refers to current IRES and IRAP credits, to IRES and IRAP credits for amounts requested for reimbursement on payments from previous years and to the residual credit for Robin Tax, paid in previous years.

11) Cash and cash equivalents

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Cash and cash equivalents	**2,584**	**8**	**(963)**	**1,629**	**2,584**	**1,629**

"Cash and cash equivalents" at December 31, 2023 represent the sum of the Group's bank and postal asset balances. The effect of the first-time consolidation of acquisitions in 2023 amounted to 8 million euro.

The decrease for the year of 963 million euro was mainly due to the payment of one-off taxes related to the 2022 extra profit taxation and the early repayment of three bank loans in the amount of 500 million euro in order to optimize the use of liquidity with a consequent benefit on financial expenses.

This item includes term current accounts, in the amount of 190 million euro, related to trading on commodity derivative platforms.

Bank deposits include interest accrued even if it was not credited by the end of the financial year under review.

Equity and liabilities

Equity

Equity, which amounted to 4,802 million euro at December 31, 2023 (4,467 million euro at December 31, 2022), is set out in the following table:

millions of euro	Balance at 12 31 2022	Changes	Balance at 12 31 2023
Equity pertaining to the Group:			
Share capital	1,629	-	1,629
Reserves	1,869	83	1,952
Group net income (loss) for the year	401	258	659
Total equity pertaining to the Group	**3,899**	**341**	**4,240**
Minority interests	568	(6)	562
Total equity	**4,467**	**335**	**4,802**

The change of the Shareholders' equity was overall positive for 335 million euro. The net profit for the year generated a positive effect of 659 million euro, offset by the distribution of 283 million euro in dividends.

Lastly, the net fair value loss of cash flow hedge derivatives and the IAS 19 reserves for a total of 30 million euro and the net decrease in minority interests for 6 million euro also affected shareholders' equity.

12) Share capital

"Share capital" amounted to 1,629 million euro and consists of 3,132,905,277 ordinary shares each of nominal value 0.52 euro.

13) Reserves

millions of euro	Balance at 12 31 2022	Changes	Balance at 12 31 2023
Reserves	**1,869**	**83**	**1,952**
of which:			
Change in the fair value of cash flow hedge derivatives and Bond fair value	42	(44)	(2)
Tax effect	(12)	12	-
Cash flow hedge reserves	**30**	**(32)**	**(2)**
Change in the IAS 19 Revised reserve - Employee Benefits	(73)	3	(70)
Tax effect	19	(1)	18
IAS 19 Revised reserve - Employee Benefits	**(54)**	**2**	**(52)**

"Reserves", which amounted to 1,952 million euro (1,869 million euro at December 31, 2022), consist of the legal reserve, extraordinary reserves, and the retained earnings of subsidiaries.

This item also includes the cash flow hedge reserve, negative for 2 million euro, which refers to the period-end measurement of derivatives qualifying for hedge accounting, and the fair value measurement of the Bonds in foreign currency net of the tax effect.

The balance also includes negative reserves of 52 million euro arising from the adoption of IAS 19 Revised "Employee Benefits" which requires actuarial profits and losses to be recognized directly in an equity reserve.

The item includes the equity reserve deriving from the first application of IFRS 9 equal to 32 million euro, and in particular the impairment of trade receivables according to the expected losses model.

Reconciliation between A2A S.p.A. net income and the net income of the Group millions of euro	12 31 2023	12 31 2022
Net income (loss) for the year of A2A S.p.A.	**488**	**545**
Intra-group dividends eliminated from the consolidated financial statements	(344)	(463)
Net income (loss) of subsidiaries, associates and joint ventures	566	343
Other consolidation adjustments	(51)	(24)
Group net income (loss) for the year	**659**	**401**

Reconciliation between the equity of A2A S.p.A. and equity pertaining to the Group millions of euro	12 31 2023	12 31 2022
Equity pertaining to A2A S.p.A.	**3,789**	**3,603**
- Elimination of the portion of the equity reserve resulting from profit on intra-group operations for the transfer of business units	(361)	(370)
- Retained earnings/(accumulated losses)	486	510
- Intra-group dividends eliminated from the consolidated financial statements	(344)	(463)
- Result of subsidiaries	566	343
- Other consolidation adjustments	104	276
Equity pertaining to the Group	**4,240**	**3,899**

14) Net result of the year

Positive result for 659 million euro.

15) Minority interests

millions of euro	Balance at 12 31 2022	Changes	Balance at 12 31 2023
Minority interests	**568**	**(6)**	**562**

“Minority interests” amounted to 562 million euro (568 million euro at December 31, 2022) and mainly represent the portions of capital, reserves and result pertaining to minority shareholders related to third-party shareholders.

Liabilities

Non-current liabilities

16) Non-current financial liabilities

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Non-convertible bonds	4,612	-	188	4,800	4,612	4,800
Payables to banks	922	-	(293)	629	922	629
Non-current financial payables for rights of use	132	-	10	142	132	142
Payables to other lenders	201	2	(198)	5	201	5
Total non-current financial liabilities	**5,867**	**2**	**(293)**	**5,576**	**5,867**	**5,576**

“Non-current financial liabilities” amounted to 5,576 million euro (5,867 million euro at December 31, 2022), with a decrease of 293 million euro, net of the first-time consolidation effect of the year for 2 million euro.

“Non-convertible bonds” amounting to 4,800 million euro (4,612 million euro at December 31, 2022) relate to the following bonds, which are accounted for at amortized cost:

- 300 million euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300 million euro;
- 298 million euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300 million euro;
- 89 million euro, Private Placement in yen maturing in August 2036 and fixed rate of 5.405%, the nominal value of which is equal to 14 billion yen;
- 396 million euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400 million euro;
- 497 million euro, maturing in July 2031 and coupon of 0.625%, the nominal value of which is equal to 500 million euro;
- 494 million euro, maturing in October 2032 and coupon of 0.625%, the nominal value of which is equal to 500 million euro;
- 495 million euro, maturing in November 2033 and coupon of 1.00%, the nominal value of which is equal to 500 million euro;
- 496 million euro, maturing in March 2028 and coupon of 1.5%, the nominal value of which is equal to 500 million euro;
- 597 million euro, maturing in June 2026 and coupon of 2.5%, the nominal value of which is equal to 600 million euro;
- 646 million euro, maturing in September 2030 and coupon of 4.5%, the nominal value of which is equal to 650 million euro.
- 492 million euro, maturing in September 2034 and coupon of 4.375%, the nominal value of which is equal to 500 million euro.

The increase in the non-current component of “Non-convertible bonds” of 188 million euro compared to December 31, 2022 was due to the counter effect of the issue of a new Green bond maturing in 2034, with nominal value 500 million euro and recorded in the financial statements net of amortized cost, partly offset by the reclassification to “Current financial liabilities” of the bond maturing in 2024 (300 million euro) and the decrease in the ECB exchange rate applied to the Private Placement in yen.

"Payables to banks" amounted to 629 million euro. This item recognized the principal portion of loans granted by the European Investment Bank in the amount of 547 million euro and by various credit institutions in the amount of 82 million euro. The decrease of 293 million euro at the end of the reporting year is attributable to the reclassification under current liabilities of portions of capital maturing in the next twelve months and to the early repayment of a bank loan (amounting to 100 million euro) in order to optimize the use of liquidity with a consequent benefit on financial expenses.

"Non-current financial payables for rights of use" amounted to 142 million euro, an increase of 10 million euro compared to December 31, 2022.

"Payables to other lenders" amounted to 5 million euro and show a decrease of 198 million euro, net of the effects deriving from the first-time consolidations for 2 million euro. This decrease is attributable to the early repayment, with the aim of optimizing the use of liquidity, of a loan from Cassa Depositi e Prestiti in the amount of 200 million euro.

For an analysis of the maturity dates of each item of these payables, please refer to the special detailed table in the "Other information" section in chapter 6) Financial Risk Management in paragraph d. Liquidity risk, while for further analysis of the division between fixed-rate and variable-rate payables, please refer to the special detailed table in paragraph b. Interest rate risk.

The following table shows the comparison, for each long-term debt category, between the book value and the fair value, as well as the portion maturing in the following 12 months, as better described in note 22) Current financial liabilities. For listed debt instruments, the fair value is determined using the market price, while for unlisted securities the fair value is determined using valuation models for each category of financial instrument and using market data relating to the closing date of the financial period, including the credit spreads of the A2A Group. Please note that this table does not contain the valuation of financial payables for rights of use.

millions of euro	Nominal value	Book value	Current portion	Non-current portion	Fair Value
Bonds	5,148	5,157	357	4,800	4,780
Loans from banks and other lenders	1,016	1,017	383	634	933
Total	**6,164**	**6,174**	**740**	**5,434**	**5,713**

17) Employee benefits

At December 31, 2023, the balance of this item amounted to 237 million euro (248 million euro at December 31, 2022) with changes as follows:

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Provisions	Uses	Other changes	**Balance at 12 31 2023**
Employee leaving entitlement (TFR)	110	-	38	(12)	(32)	104
Employee benefits	138	-	-	(7)	2	133
Total employee benefits	**248**	**-**	**38**	**(19)**	**(30)**	**237**

The change is attributable for 38 million euro to provisions for the year, for 19 million euro to the decrease due to disbursements and for 37 million euro to the net decrease related to payments to pension funds. In addition, the actuarial valuations for the year include the increase resulting from actuarial gains/losses for a total of 6 million euro, as a result of the change in discount rates.

Technical valuations were carried out on the basis of the following assumptions:

millions of euro	2022	2023
Discount rate	from +3.34% to +3.77%	from +2.95% to +3.17%
Annual inflation rate	2.3%	2.0%
Annual seniority bonus increase rate	2.0%	2.0%
Annual additional months increase rate	0.0%	0.0%
Annual cost of electricity increase rate	2.0%	2.0%
Annual cost of gas increase rate	0.0%	0.0%
Annual salary increase rate	1.0%	1.0%
Annual TFR increase rate	3.225%	3.0%
Average annual increase rate of supplementary pensions	1.125%	1.125%
Annual turnover frequencies	from 4.0% to 5.0%	from 4.0% to 5.0%
Annual TFR advance frequencies	from 2.0% to 2.5%	from 2.0% to 2.5%

It is noted that:

- the annual discount rate used to determine the present value of the bond has been derived, in line with paragraph 83 of IAS 19, from the Iboxx Corporate AA index recognized at the measurement date. For this purpose, the yield with duration comparable to the duration of the work group evaluated was chosen;
- the annual rate of salary increase applied exclusively to companies with fewer than 50 employees on average in 2006 was determined on the basis of the reference data communicated by Group companies;
- the annual rate of TFR increase, according to art. 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual advance and turnover frequencies are derived from historical experiences of the Group and the frequencies arising from the experience of the Actuary on a significant number of similar companies;
- for the demographic technical bases, it is noted that:
  - for “death”, the tables TG62 (Premungas), AS62 (Electricity and gas discount) and RG48 (other plans) were used;
  - for “inability”, the INPS tables divided by age and gender were used;
  - for “retirement”, the 100% parameter was used upon reaching the requirements of AGO (Obligatory General Insurance) in accordance with LD no. 04/2019;
  - for the “probability of leaving the family”, the table in the INPS model was used for projections to 2010 updated;
  - for the “frequency of the various structures of surviving nuclei and average age of members”, the table in the INPS model was used for projections to 2010.

18) Provisions for risks, charges and liabilities for landfills

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Provisions	Releases	Uses	Other changes	Balance at 12 31 2023
Decommissioning provisions	261	1	6	-	(16)	53	305
Landfill closing and post-closing expense provisions	175	-	7	(2)	(10)	5	175
Tax provisions	54	-	1	(6)	-	-	49
Personnel lawsuits and disputes provisions	40	-	1	-	(1)	1	41
Other risk provisions	199	-	65	(4)	(13)	11	258
Provisions for risks, charges and liabilities for landfills	**729**	**1**	**80**	**(12)**	**(40)**	**70**	**828**

At December 31, 2023, “Provisions for risks, charges and liabilities for landfills” amounted to 828 million euro and showed an overall increase of 99 million euro.

“Decommissioning provisions”, which amounted to 305 million euro, include charges for costs of dismantling and recovery of production sites mainly related to thermoelectric plants and waste-to-energy plants. Changes during the year included utilizations of 16 million euro to cover charges incurred during the year under review, net provisions of 6 million euro, and other increases of 53 million euro attributable to the updating of appraisals and to changes in inflation and discount rates. The contribution deriving from first consolidations was 1 million euro.

The “Landfill closing and post-closing expense provisions”, which amounted to 175 million euro, refer to all the costs that will have to be incurred in the future for the sealing of the landfills in cultivation at the reporting date and for the subsequent post-operative management, as required by current regulations. Changes at December 31, 2023 included utilizations of 10 million euro, which represent actual disbursements during the year, net allocations of 5 million euro related to adjustments to the provisions for landfills following the update of the appraisals and inflation and discount rates, as well as other increases of 5 million euro.

“Tax provisions”, which amounted to 49 million euro, refer to provisions for pending litigation with the tax authorities or territorial entities for direct and indirect taxes, levies and excises.

“Personnel lawsuits and disputes provisions”, which totaled 41 million euro, refer to litigation with third parties for 34 million euro and employees for 3 million euro to cover liabilities that may arise from pending litigation, and lawsuits with Social Security Institutions for 4 million euro related to social security contributions that the Group believes it will not be required to pay and are the subject of specific disputes.

“Other provisions for risks”, which amounted to 258 million euro, refer to provisions relating to public water derivation fees for 132 million euro, to the mobility provision for the costs arising from the corporate restructuring plan, for 7 million euro, as well as other provisions for 119 million euro, which also include the provision related to the dispute over the Grottaglie landfill. The main components of these provisions are net allocations of 61 million euro, of which 44 million euro related to additional charges for hydroelectric derivation surcharges, uses of 13 million euro, as well as other increases of 11 million euro.

19) Other non-current liabilities

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Other non-current liabilities	370	-	(46)	324	-	-
Non-current derivatives	-	-	11	11	-	11
Total other non-current liabilities	**370**	**-**	**(35)**	**335**	**-**	**11**

At December 31, 2023, this item decreased by 35 million euro compared to the balance at the end of the previous year.

“Other non-current liabilities”, which showed a balance of 324 million euro, refer to security deposits from customers, for 304 million euro, to liabilities pertaining to future years for 9 million euro, to medium/long-term payables to suppliers for 3 million euro, as well as other non-current liabilities for 8 million euro.

“Non-current derivative instruments” amounted to 11 million euro (no value at December 31, 2022) and refer to the fair value measurement of the hedging derivative relating to the yen bond maturing in 2036.

Current liabilities

20) Trade payables and other current liabilities

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Advances and payables to customers	43		(37)	6		
Payables to suppliers	5,481	1	(1,383)	4,099		
Total trade payables	**5,524**	**1**	**(1,420)**	**4,105**	-	-
Payables to social security institutions	49		4	53		
Current derivatives	2,561		(1,008)	1,553		
Other current liabilities of which:	396	-	68	464		
Payables to personnel	93		17	110		
Payables to Cassa per i Servizi Energetici e Ambientali	83		69	152		
Tax payables	98		(8)	90		
Payables for tax transparency	5		-	5		
Payables for A.T.O.	2		(1)	1		
Payables to customers for work to be performed	37		(9)	28		
Payables to customers for interest on security deposits	2		2	4		
Payables to third-party shareholders	1		-	1		
Payables for the purchase of equity investments	-		-	-		
Payables for liabilities of competence of following years	-		9	9		
Payables for auxiliary services	-		-	-		
Payables for collections to be allocated	14		(11)	3		
Payables to insurance companies	3		1	4		
Payables for environmental compensation	3		1	4		
Payables for RAI fee	8		(1)	7		
Sundry payables	47		(1)	46		
Total other current liabilities	**3,006**	**-**	**(936)**	**2,070**	-	-
Total trade payables and other current liabilities	**8,530**	**1**	**(2,356)**	**6,175**	-	-

“Trade receivables and other current liabilities” amounted to 6,175 million euro (8,530 million euro at December 31, 2022), representing a decrease of 2,355 million euro.

“Trade receivables” amounted to 4,105 million euro and compared to the closing of the previous year, represent a decrease of 1,420 million euro, excluding the changes related to the first-time consolidations for 1 million euro. The decrease is mainly attributable to the dynamics of energy commodity prices, as well as an efficient Net Working Capital management policy.

“Payables to social security institutions” amounted to 53 million euro, up 4 million euro compared to December 31, 2022 and relate to the Group’s debt position with social security and pension institutions.

“Current derivative instruments” amounted to 1,553 million euro (2,561 million euro at December 31, 2022) and refer to the fair value valuation of commodity derivatives. The decrease is mainly attributable to a reduction in the fair value measurement due to a lower average difference between subscription prices and market prices, despite a significant increase in volumes traded.

"Other current liabilities" mainly refer to:

- payables to employees for 110 million euro (93 million euro at December 31, 2022), relating to payables to employees for the productivity bonus accrued during the year, as well as the expense for holidays accrued but not taken at December 31, 2023;
- payables to Cassa per i Servizi Energetici e Ambientali for 152 million euro (83 million euro at December 31, 2022), regarding the payable for the tariff components, invoiced and not yet paid, as well as the payable for equalization liabilities related both to prior years and the year in question;
- tax payables for 90 million euro (98 million euro at December 31, 2022) related to payables to the tax authorities for excise, withholding taxes and VAT;
- payables to customers for work to be performed during the next financial year in the amount of 28 million euro (37 million euro at December 31, 2022).

21) Current financial liabilities

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Non-convertible bonds	338		19	357	338	357
Payables to banks	651		(269)	382	651	382
Current financial payables for rights of use	31		4	35	31	35
Payables to other lenders	2		(1)	1	2	1
Total current financial liabilities	**1,022**	**-**	**(247)**	**775**	**1,022**	**775**

"Current financial liabilities" amounted to 775 million euro (1,022 million euro recorded at December 31, 2022) and showed a decrease of 247 million euro.

"Non-convertible bonds" amounted to 357 million euro and show an increase of 19 million euro. During the year, a bond with a nominal value of 300 million euro, which expired in December 2023 was repaid, offset by the reclassification from "Non-current financial liabilities" of the bond expiring in March 2024 of the same nominal value. At December 31, 2023, the calculation of interest coupons amounted to 57 million euro (38 million euro at December 31, 2022).

Current "Payables to banks", which amounted to 382 million euro, comprises the principal portion of loans granted by the European Investment Bank, in the amount of 73 million euro, by various credit institutions, in the amount of 214 million euro, by utilization of "Hot money" lines, in the amount of 92 million euro, and accrued interest net of amortized cost, in the amount of 3 million euro. The year-on-year decrease of 269 million euro was mainly related to the reclassification from "Non-current financial liabilities" of residual loans due within the next twelve months, net of the portions repaid during the year.

"Current financial payables for rights of use" amounted to 35 million euro, an increase of 4 million euro compared to the previous year.

Current "Payables to other lenders" amounted to 1 million euro, a decrease of 1 million euro compared to the previous year.

22) Tax payables

millions of euro	Balance at 12 31 2022	First-time consolidation effect acquisitions 2023	Changes	**Balance at 12 31 2023**
Tax liabilities	**134**	**-**	**(64)**	**70**

Tax payables amounted to 70 million euro (134 million euro at December 31, 2022) representing a decrease of 64 million euro over the previous year-end.

2.12

Net debt

23) Net debt
(pursuant to Communication ESMA/32-382-1138)

The following table provides details of net financial debt:

millions of euro	Note	12 31 2022	First-time consolidation effect acquisitions 2023	12 31 2023
Bonds - non-current portion	17	4,612		4,800
Bank loans - non-current portion	17	922		629
Non-current payables to other lenders	17	201	2	5
Non-current financial payables for rights of use	17	132		142
Other non-current liabilities	20	-		11
Total medium/long-term debt		**5,867**	**2**	**5,587**
Non-current financial assets - related parties	3	(5)		(5)
Non-current financial assets	3	(16)		(9)
Other non-current assets	5	(12)		(2)
Total medium/long-term financial receivables		**(33)**		**(16)**
Total non-current net debt		**5,834**	**2**	**5,571**
Bonds - current portion	22	338		357
Bank loans - current portion	22	651		382
Current amounts due to other providers of finance	22	2		1
Current financial payables for rights of use	22	31		35
Other current liabilities	21	-		-
Total short-term debt		**1,022**		**775**
Other current financial assets	9	(12)		(32)
Financial assets – related parties	9	(2)		(1)
Other current assets	8	-		(1)
Total short-term financial receivables		**(14)**		**(34)**
Cash and cash equivalents	11	(2,584)	(8)	(1,629)
Total current net debt		**(1,576)**	**(8)**	**(888)**
Net debt		**4,258**	**(6)**	**4,683**

The Group net financial position was 4,683 million euro.

Insofar as the disclosure about indirect financial debt is concerned, the Group has identified financial commitments due within one year in connection with employee benefits, decommissioning provisions and liabilities for landfills, tax disputes and reverse factoring, amounting to about 65 million euro.

Pursuant to IAS 7 "Cash Flow Statement", the following are the changes in financial assets and liabilities:

millions of euro	12 31 2022	Cash flow	Non-cash flow			12 31 2023
			First-time consolidation effect acquisitions 2023	Change in fair value	Other changes	
Bonds	4,950	219		(10)	(2)	5,157
Financial payables	1,939	(798)	2		51	1,194
Other liabilities				11		11
Financial assets	(35)	(18)			6	(47)
Other activities	(12)			9		(3)
Net liabilities deriving from financing activities	**6,842**	**(597)**	**2**	**10**	**55**	**6,312**
Cash and cash equivalents	(2,584)	963	(8)			(1,629)
Net debt	**4,258**	**366**	**(6)**	**10**	**55**	**4,683**

2.13
Notes to the income statement

For changes in the scope of consolidation as at December 31, 2023, please refer to the “Notes to the Balance Sheet Items” section.

Moreover, the economic figures as at December 31, 2023 are not consistent with the previous year due to the following extraordinary transactions in 2022:

- acquisition in September 2022, and line-by-line consolidation by A2A Calore & Servizi S.r.l. of 100% of A2A Airport Energy S.p.A., a company engaged in the production and sale of electricity, heat and cooling;
- acquisition by A2A Rinnovabili S.p.A. of 100% of 4New S.r.l. and 3 New & Partners S.r.l., companies operating in the photovoltaic and wind power sectors, consolidated as of June 2022. A2A Rinnovabili S.p.A. also acquired, through its subsidiary 3 New & Partners S.r.l., 100% of 3 New & Partners Rinnovabili S.r.l. (a company incorporated in November 2022) resulting in the line-by-line consolidation, as of November 2022, of Daunia Calvello S.r.l. and Daunia Serracapriola S.r.l., companies that hold a portfolio of wind farms in Italy.

It should be noted that certain income statement items, referring to assets related to the integrated water service in accordance with IFRS 5, have been reclassified to "Net result from non-current assets held for sale"; consequently, the values as at December 31, 2022 have been restated.

24) Revenues

Revenues for the year totaled 14,758 million euro (23,156 million euro at December 31, 2022 Restated), therefore decreasing by 8,398 million euro.

Details of the more significant items are as follows:

millions of euro	12 31 2023	12 31 2022 Restated	Change	% 2023/2022
Revenues from the sale of goods	13,002	21,600	(8,598)	(39.8%)
Revenues from services	1,490	1,338	152	11.4%
Total revenues from the sale of goods and services	**14,492**	**22,938**	**(8,446)**	**(36.8%)**
Other operating revenues	**266**	**218**	**48**	**22.0%**
Total revenues	**14,758**	**23,156**	**(8,398)**	**(36.3%)**

The change, compared to the previous year, is attributable to the reduction in revenues in the wholesale energy markets both due to the lower unit prices and the lower volumes sold and traded of commodities, partially offset by the higher quantities sold of electricity and gas in the retail markets and by the contribution of the consolidation of A2A Airport Energy, a company acquired in September 2022.

Further details of the main items are as follows:

millions of euro	12 31 2023	12 31 2022 Restated	Change	% 2023/2022
Sale and distribution of electricity	8,436	14,839	(6,403)	(43.1%)
Sale and distribution of gas	3,991	6,076	(2,085)	(34.3%)
Sale of heat	272	340	(68)	(20.0%)
Sale of materials	69	81	(12)	(14.8%)
Sale of water	88	79	9	11.4%
Sales of environmental certificates	111	153	(42)	(27.5%)
Connection contributions	35	32	3	9.4%
Total revenues from the sale of goods	**13,002**	**21,600**	**(8,598)**	**(39.8%)**
Services to customers	1,490	1,338	152	11.4%
Total revenues from services	**1,490**	**1,338**	**152**	**11.4%**
Total revenues from the sale of goods and services	**14,492**	**22,938**	**(8,446)**	**(36.8%)**
Reintegration of costs – S. Filippo del Mela plant (Essential Unit plant)	25	-	25	n.s.
Damage compensation	8	14	(6)	(42.9%)
Contributions - Cassa Servizi Energetici ed Ambientali	5	6	(1)	(16.7%)
Rents receivable	6	4	2	50.0%
Contingent assets	43	36	7	19.4%
Incentives for production from renewable sources (feed-in tariff)	41	44	(3)	(6.8%)
Other revenues	138	114	24	21.1%
Other operating revenues	**266**	**218**	**48**	**22.0%**
Total revenues	**14,758**	**23,156**	**(8,398)**	**(36.3%)**

The item "Other operating revenues" shows an increase of 48 million euro, of which 25 million euro due to higher other revenues referring to the reinstatement of generation costs incurred for the San Filippo del Mela power plant (Essential Plant) pursuant to Resolution 803/2016.

Further details on the reasons for the performance of revenues relating to the various Business Units can be found in the paragraph "Result by sector".

25) Operating costs

"Operating costs" amounted to 11,972 million euro (20,893 million euro at December 31, 2022 Restated), therefore representing a decrease of 8,921 million euro.

The main components of this item are as follows:

millions of euro	12 31 2023	12 31 2022 Restated	Change	% 2023/2022
Costs for raw materials and consumables	9,408	18,634	(9,226)	(49.5%)
Costs for services	2,183	1,866	317	17.0%
Total costs for raw materials and services	**11,591**	**20,500**	**(8,909)**	**(43.5%)**
Other operating costs	**381**	**393**	**(12)**	**(3.1%)**
Total operating costs	**11,972**	**20,893**	**(8,921)**	**(42.7%)**

"Total costs for raw materials and services" amounted to 11,591 million euro (20,500 million euro at December 31, 2022), decreasing by 8,909 million euro.

This decrease is due to the combined effect of the following factors:

- the decrease of 9,733 million euro in the purchase of raw materials and consumables, due to the decrease in costs for the purchase of power and fuel of 9,515 million euro, the decrease in the costs relating to the purchase of environmental certificates of 242 million euro, the increase in purchase of materials of 3 million euro, the decrease in water purchase costs for 1 million euro and the net increase of 22 million euro arising from hedging gains/losses on operating derivatives;
- an increase of 317 million euro in costs for delivery, subcontracted work and services;
- the increase in inventories of fuel and materials for 507 million euro.

For further information, the following table sets out details of the more significant components:

millions of euro	12 31 2023	12 31 2022 Restated	Change	% 2023/2022
Purchases of power and fuel	8,492	18,007	(9,515)	(52.8%)
Purchases of materials	199	196	3	1.5%
Purchases of water	2	3	(1)	(33.3%)
Hedging losses on operating derivatives	7	14	(7)	(50.0%)
Hedging gains on operating derivatives	(5)	(34)	29	(85.3%)
Purchases of emission certificates and allowances	507	749	(242)	(32.3%)
Total costs for raw materials and consumables	**9,202**	**18,935**	**(9,733)**	**(51.4%)**
Delivery and transmission costs	1,173	990	183	18.5%
Maintenance and repairs	242	220	22	10.0%
Other services	768	656	112	17.1%
Total costs for services	**2,183**	**1,866**	**317**	**17.0%**
Change in inventories of fuel and materials	206	(301)	507	n.s.
Total costs for raw materials and services	**11,591**	**20,500**	**(8,909)**	**(43.5%)**
Leasehold improvements	145	133	12	9.0%
Concession fees	122	119	3	2.5%
Contributions to territorial entities, consortia and ARERA	14	13	1	7.7%
Taxes and duties	39	74	(35)	(47.3%)
Damages and penalties	12	4	8	n.s.
Contingent liabilities	27	34	(7)	(20.6%)
Other costs	22	16	6	37.5%
Other operating costs	**381**	**393**	**(12)**	**(3.1%)**
Total operating costs	**11,972**	**20,893**	**(8,921)**	**(42.7%)**

The item "Other services" totaling 768 million euro includes, among others, communication costs of 36 million euro (in the previous year, they amounted to 33 million euro).

Trading margin

The following table sets out the results arising from the Trading Portfolio, including the effect of changes in derivative instruments; these figures relate to trading in electricity, gas and environmental certificates.

millions of euro	12 31 2023	12 31 2022	Change
Revenues	8,599	13,374	(4,775)
Operating costs	(8,538)	(13,293)	4,755
Total trading margin	**61**	**81**	**(20)**

The trading margin was positive for 61 million euro, a decrease of 20 million euro compared to December 31, 2022.

During 2023, the downward trend in prices, already present in the first half of the year, continued, thanks to the ample availability of Liquefied Natural Gas supplies and the reduction in energy consumption, also attributable to the winter season characterized by above-average temperatures.

The relative quietness of the market affected energy prices on short- and medium-term deliveries, helping to reduce the risk premium and volatility.

Compared to the same period of the previous year, the reduction in volatility proportionally decreased the absolute value of profit captured by trading activities despite the continued activity of flow intermediation, price quotation and market making.

26) Labour costs

Net of capitalized expenses, labour costs at December 31, 2023 amounted to 815 million euro (765 million euro at December 31, 2022).

"Labour costs" may be analyzed as follows:

millions of euro	12 31 2023	12 31 2022	Change	% 2023/2022
Wages and salaries	625	589	36	6.1%
Social security charges	207	196	11	5.6%
Employee leaving entitlement (TFR)	38	37	1	2.7%
Other costs	59	48	11	22.9%
Total labour costs before capitalizations	**929**	**870**	**59**	**6.8%**
Capitalized labour costs	(114)	(105)	(9)	8.6%
Total labour costs	**815**	**765**	**50**	**6.5%**

The table below shows the average number of employees by category:

	12 31 2023	12 31 2022	Change
Managers	198	200	(2)
Middle Managers	896	828	68
White-collar workers	6,257	5,980	277
Blue-collar workers	6,489	6,447	42
Total	**13,840**	**13,455**	**385**

At December 31, 2023, the average labour cost per capita amounted to 58.89 thousand euro, up 3.6% from the previous year (when it was 56.86 thousand euro). The increase is mainly attributable to the increase in the existing workforce, the salary increases provided for by national collective labour agreements, and remuneration policy actions.

At December 31, 2023, the Group had 13,958 employees. At December 31, 2022, the Group had 13,655 employees.

Other labour costs include, for a value of 7 million euro (value less than 1 million euro at December 31, 2022) costs relating to the total cost of the company's restructuring plan related to future staff leaving for redundancy.

27) Gross operating margin

As a result of the above changes, consolidated "Gross operating margin" at December 31, 2023 amounted to 1,971 million euro (1,498 million euro at December 31, 2022 Restated).

For further information, please refer to the description in the paragraph "Analysis of the main business sectors" in the Report on Operations.

28) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" totaled 954 million euro (816 million euro at December 31, 2022 Restated), representing an increase of 138 million euro.

The following table provides details of the individual items:

millions of euro	12 31 2023	12 31 2022 Restated	Change	% 2023/2022
Amortization of intangible assets	278	231	47	20.3%
Depreciation of tangible assets	523	491	32	6.5%
Net write-downs of fixed assets	2	2	-	-
Total amortization, depreciation and write-downs	**803**	**724**	**79**	**10.9%**
Provisions for risks	68	2	66	n.s.
Bad debt provision on receivables recognized as current assets	83	90	(7)	(7.8%)
Total depreciation, amortization, provisions and write-downs	**954**	**816**	**138**	**16.9%**

"Depreciation, amortization and write-downs" amounted to 803 million euro (724 million euro at December 31, 2022 Restated).

Amortization of intangible assets amounted to 278 million euro (231 million euro at December 31, 2022 Restated). Depreciation and amortization increased by 47 million euro, broken down as follows:

- increase in depreciation and amortization of 42 million euro, related to the integrated water service, gas distribution and metering, implementation of information systems and new customer lists;
- increase in depreciation and amortization of 5 million euro following the change in the scope of consolidation.

Depreciation of tangible assets show an increase of 32 million euro compared to December 31, 2022 and includes:

- higher depreciation of 15 million euro, mainly relating to the investments which went into production after December 31, 2022;
- higher depreciation of 17 million euro, relating to the first-time consolidations;
- higher depreciation of 3 million euro for rights of use;
- higher depreciation of 3 million euro related to the new appraisals and change in discount and inflation rates on the closure/post closure provisions for landfills and decommissioning;
- lower depreciation of 6 million euro related to the disinvestment plan for the assets of the Linea 1 waste-to-energy treatment and storage plant in Parona and to some photovoltaic plants.

Write-downs for the year amounted to 2 million euro (2 million euro as at December 31, 2022) and mainly related to the cancellation of projects no longer in the company's core business.

"Provisions for risks" had a net effect of 68 million euro (net effect of 2 million euro at December 31, 2022) due to the provisions for the year of 80 million euro relating to the provision for derivation fees public water for 46 million euro, to provisions for closure and post-closure costs of landfills and decommissioning for 13 million euro, to provisions relating to compensation linked to delays in the management of active connection files for 13 million euro and to other provisions for 8 million euro, adjusted by surpluses mainly following the release of tax provisions, closure and post-closure expense provisions on landfills and other provisions for 12 million euro.

For further information, reference is made to note 18) Provisions for risks, charges and liabilities for landfills.

The "Bad debt provision" amounted to 83 million euro (90 million euro at December 31, 2022), of which 82 million euro related to the provision for the year for risks on trade receivables and 1 million euro to the provision for risks on other receivables.

29) Net operating income

“Net operating income” amounted to 1,017 million euro (682 million euro at December 31, 2022 Restated).

30) Result from non-recurring transactions

The "Result from non-recurring transactions" amounted to 2 million euro (157 million euro at December 31, 2022) and refers to the capital gain deriving from the sale of land in the Bovisa area located in the City of Milan, while in the previous year, it referred to the sale of three properties located in Milan that took place in February 2022.

31) Financial balance

The “Financial balance” closed with net expense of 140 million euro (net expense of 88 million euro at December 31, 2022).

Details of the more significant items are as follows:

millions of euro	12 31 2023	12 31 2022	Change	% 2023/2022
Financial income	83	35	48	n.s.
Financial expenses	(222)	(125)	(97)	77.6%
Portion of income and expenses when shareholdings are carried at equity	-	2	(2)	(100.0%)
Result from disposal of other shareholdings	(1)	-	(1)	n.s.
Total financial balance	**(140)**	**(88)**	**(52)**	**59.1%**

“Financial income” amounted to 83 million euro (35 million euro at December 31, 2022) and may be analyzed as follows:

Financial income

millions of euro	12 31 2023	12 31 2022	Change	% 2023/2022
Bank income	56	3	53	n.s.
Realized on financial derivatives	-	2	(2)	n.s.
Gains on disposals of financial assets	-	4	(4)	n.s.
Other financial income of which:	27	26	1	3.8%
Financial income from the Municipality of Brescia (IFRIC 12)	5	10	(5)	(50.0%)
Foreign exchange gains	1	5	(4)	(80.0%)
Other income	21	11	10	90.9%
Total financial income	**83**	**35**	**48**	**n.s.**

The increase in income from credit institutions is mainly attributable to the increase in lending rates applied to the investment of short-term liquidity.

"Financial expenses", which amounted to 222 million euro, increased by 97 million euro compared to December 31, 2022, and may be analyzed as follows:

Financial expenses

millions of euro	12 31 2023	12 31 2022	Change	% 2023/2022
Interest on bond loans	124	74	50	67.6%
Interest charged by banks	38	15	23	n.s.
Interest on Cassa Depositi e Prestiti loans	2	1	1	100.0%
Realized on financial derivatives	-	1	(1)	n.s.
Decommissioning costs	9	9	-	-
Other financial expenses of which:	49	25	24	96.0%
Discounting charges	15	11	4	36.4%
Financial expenses (IFRS 16)	3	2	1	50.0%
Financial expenses (IFRIC 12)	3	4	(1)	(25.0%)
Foreign exchange losses	1	3	(2)	(66.7%)
Other expenses	27	5	22	n.s.
Total financial expenses before capitalizations	**222**	**125**	**97**	**77.6%**
Capitalized financial expenses	-	-	-	-
Total financial expenses	**222**	**125**	**97**	**77.6%**

The increase in interest on bonds in the amount of 50 million euro is attributable to the three bond issues carried out during 2022 (totaling 1,750 million euro), which had only started to accrue interest from the date of issue, and the 500 million euro bond issue carried out during the first quarter of 2023.

The increase in financial expenses to credit institutions, amounting to 23 million euro, is mainly attributable to the rise in the interest rate curve, as a result of the restrictive monetary policies implemented by central banks to counter the growing inflationary pressure, which led to higher expenses on gross financial debt at variable and non-hedged rates. This deterioration was more than offset by the variable-rate remuneration of liquidity (as described with reference to financial income), which mitigates the interest rate risk on the Group's variable and non-hedged debt.

The Equity method valuation of the shareholdings was less than one million euro. It was equal to 2 million euro in the previous year and mainly referred to the positive valuation of shareholdings in some associated companies.

The "Result from disposal of other shareholdings" had a negative value of 1 million euro and derived from the effect of the disposal of the shareholding in Suncity Group.

32) Income taxes

millions of euro	12 31 2023	12 31 2022	Change	% 2023/2022
Current IRES	241	150	91	60.7%
Current IRAP	53	42	11	26.2%
Effect of differences - taxes of previous years	(5)	(5)	-	-
Total current taxes	**289**	**187**	**102**	**54.5%**
Deferred tax assets	(41)	35	(76)	n.s.
Deferred tax liabilities	(49)	-	(49)	n.s.
Solidarity contribution L. 197/2022	-	117	(117)	n.s.
Contribution L.D. no. 21 of March 21, 2022	-	5	(5)	n.s.
Total income taxes	**199**	**344**	**(145)**	**(42.2%)**

“Income taxes” for the year amounted to 199 million euro (344 million euro at December 31, 2022) and the breakdown is as follows:

- for 241 million euro current Ires for the year;
- for 53 million euro current Irap for the year;
- for -5 million euro taxes of previous years;
- for -41 million euro deferred tax assets;
- for -49 million euro deferred tax liabilities.

Pursuant to Article 162-bis of Presidential Decree no. 917/1986, the parent company A2A in the 2023 financial year qualifies as a so-called "non-financial holding company". Accordingly, A2A determined the total amount of IRAP for the 2023 financial year by adding to the net production value, determined in accordance with the provisions specific to joint-stock companies (pursuant to Articles 5 and 11 of Legislative Decree no. 446/1997), the difference between:

- interest and similar income
- interest and similar expense

according to the provisions contained in Art. 6, paragraph 9 of Legislative Decree no. 446/1997. The production value thus calculated was subject to the average IRAP rate of 5.56%.

It should be noted that in the financial year under review, the right was exercised to opt for the "exemptive revaluation" regime which, based on the provisions of art. 15, paragraphs 10 et seq. of Decree Law no. 185/2008, provides for the recognition of the higher tax values of the controlling interests arising from the Purchase Price Allocation (PPA) process and recorded in the consolidated financial statements as goodwill and other intangible assets.

Against the payment of the substitute tax of 33 million euro, the derogatory revaluation resulted in the recognition of net deferred tax assets of 55 million euro, relating to off-balance-sheet deductions of the higher revalued values. These deferred tax assets will be released pro rata in connection with off-balance-sheet deductions starting in 2025.

The reconciliation between the tax burden posted in the Consolidated Financial Statements and theoretical tax liabilities, calculated on the basis of theoretical rates applicable in Italy, is as follows:

Reconciliation between the tax burden posted in the Financial Statements and theoretical tax liabilities

millions of euro	2023	2022 Restated
Pre-tax result	**879**	**751**
Net write-downs of fixed assets	2	2
Pre-tax result adjusted by write-downs and the result of assets held for sale	**881**	**753**
Theoretical rates based on applicable tax rates (1)	211	180
Tax effect of write-downs	-	-
Adjustment of prior year taxes	(13)	(10)
Exemptive revaluation (Decree-Law 185/2008)	(22)	-
Permanent differences	4	10
Contribution L.D. no. 21 of March 21, 2022	-	5
Solidarity contribution L. 197/2022	-	117
Other differences	(21)	-
Total taxes charged to Income statement (excluding IRAP)	**159**	**302**
CURRENT IRAP	40	42
Total taxes charged to Income statement	**199**	**344**

(1) Taxes have been calculated considering a theoretical IRES rate of 24%

Global Minimum Tax

Legislative Decree no. 209 of December 27, 2023 implemented Directive no. 2022/EU/2523 on "Global Minimum Tax" (legislation commonly referred to as "Pillar II"), with the express purpose of ensuring a minimum level of taxation for multinational or domestic groups of companies as of January 1, 2024.

The new rules affect companies located in Italy that are part of a multinational or domestic group with annual revenues of 750 million euro or more, a revenue threshold that must be reached in at least two of the four financial years immediately preceding the financial year considered.

Therefore, with effect from January 1, 2024, the A2A Group, since it exceeded the revenue threshold of 750 million euro, for two of the four previous financial years, falls within the scope of application of the "Pillar II" regulations, set forth in Directive no. 2022/EU/2523 and Legislative Decree no. 209/2023.

In this regard, it is noted that paragraph 4.A of IAS 12 provides, as an exception to the provisions of said Standard, for the non-recognition and disclosure of deferred tax assets and liabilities related to "Pillar II" taxes.

In these financial statements, therefore, no information is provided and no assets or liabilities are recognized for deferred taxes related to taxes in relation to "Pillar II" regulations.

Moreover, as the rule is not effective at the reporting date, no current taxes have been recognized accordingly.

With reference to the "Pillar II" regulations, as a preliminary reminder, it is recalled that in 2023, the A2A Group promptly took steps to assess the possible impact of the regulations in question in the jurisdictions in which it is established and to ensure that the regulatory obligations in force from January 1, 2024 are correctly fulfilled.

It is also noted that the exposure of Group entities (and any jointly controlled entities) to "Pillar II" taxes is a direct consequence of the level of actual taxation in each individual jurisdiction. This level is then, of course, proportional to various, concomitant and/or related factors such as, for example, the income produced therein, the level of the nominal tax rate, the tax rules for determining the tax base, and the institution, form and use of tax incentives or benefits.

Given, however, the complexity of determining the level of actual taxation, the "Pillar II" legislation provides, for the first effective periods, for the possibility of applying a simplified regime based primarily on accounting information available for each jurisdiction, which, if at least one of three tests under this simplification (so-called transitional safe harbor from country-by-country reporting) is passed, results in reduced compliance burdens and zero taxation from "Pillar II".

Based on the information known or reasonably estimable at the reporting date, the A2A Group's exposure to taxes arising from the "Pillar II" legislation at the reporting date, including on the basis of transitional safe harbors, is assessed as not significant.

Based on the analyses performed, in fact, all Group entities (and jointly controlled entities) are located in jurisdictions that satisfy at least one of the three tests set forth in the transitional safe harbor and, therefore, considering the information known or reasonably estimable as of the reporting date, there does not appear to be any exposure of the Group to taxation arising from the "Pillar II" legislation to date.

33) Net result from discontinued operations held for sale

The “Net result from discontinued operations held for sale” amounted to 3 million euro (41 million euro at December 31, 2022 Restated) and mainly refers to the sale relating to the Integrated Water Service to Acque Bresciane, due to the expiry of the concession, which did not generate gains in the year under review. This BU was considered a disposal group and was included in the Smart Infrastructures Business Unit.

34) Result of minorities

The “Result of minorities” is negative for the Group for 24 million euro and mainly includes the portion attributable to minority interests of the Acinque Group and the AEB Group. In the previous year, the item showed a negative balance for the Group for 47 million euro.

35) Group result for the year

The “Group result for the year” was positive for 659 million euro (positive for 401 million euro at December 31, 2022).

2.14

Earnings per share

36) Earnings per share

	01 01 2023 12 31 2023	01 01 2022 12 31 2022 Restated
Earnings (loss) per share (in euro)		
-basic	0.2101	0.1281
-basic, from continuing operations	0.2092	0.1150
-basic, from assets held for sale	0.0009	0.0131
-diluted	0.2101	0.1281
-diluted, from continuing operations	0.2092	0.1150
-diluted, from assets held for sale	0.0009	0.0131
Weighted average number of outstanding shares for the calculation of earnings (loss) per share		
-basic	3,132,905,277	3,132,905,277
-diluted	3,132,905,277	3,132,905,277

2.15
Note on related party transactions

37) Note on related party transactions

The definition of "related parties" is included in the international accounting standard describing the disclosures, which must be made for related party transactions in financial statements (revised IAS 24).

Relationships with parent companies and their subsidiaries

On October 5, 2007, the Municipalities of Milan and Brescia signed a Shareholders' Agreement to regulate the ownership structure of A2A S.p.A.; this gave the Municipalities joint control over the company.

Specifically, the merger effective January 1, 2008, regardless of the legal structure established, was considered a joint venture, whose joint control was exercised by the Municipalities of Milan and Brescia, each of which owned a share equal to 27.5%.

On June 13, 2014, the Shareholders' Meeting modified the company's governance system, passing from the original two-tier system, adopted in 2007, to a "traditional" system of management and control through the appointment of the Board of Directors.

In December 2014, the Municipalities of Milan and Brescia sold a total shareholding of 0.51% of A2A S.p.A., while in the first two months of 2015, the Municipalities of Milan and Brescia sold an additional shareholding of 4.5% of A2A S.p.A..

On October 4, 2016, the Municipalities of Milan and Brescia renewed for another three years, with effect from January 1, 2017, the Shareholders' Agreement signed on December 30, 2013, concerning 1,566,452,642 ordinary shares representing 50% plus two shares of the share capital of A2A S.p.A.. On May 20, 2016, the two Municipalities had proceeded to sign an appendix to the Agreement, which envisaged reducing from six months to three months the term of the agreement, during which it is possible to terminate the same.

On October 26, 2016, the Municipality of Milan received from the Municipality of Brescia the proposal, approved by the Council of said Municipality on October 25, 2016, to partially amend the shareholders' agreement relating to A2A S.p.A. existing between the two Municipalities. In particular, said proposal requires the commitment of the two Municipalities to maintain syndicated and bound, in the new agreement, a number of shares held by them in equal measure, equal to 42% of the share capital of A2A S.p.A.. On November 4, 2016, the Council of the Municipality of Milan, after having favorably examined the proposal of the Municipality of Brescia of a partial amendment to the shareholders' agreement, submitted to the Municipal Council the proposal of the new shareholders' agreement for the final determinations of competence.

On January 23, 2017, the Milan City Council approved the new Shareholders' Agreement between the Municipality of Milan and the Municipality of Brescia regarding the shareholding in A2A S.p.A. and has undertaken the commitment not to proceed with the disposal of any shares owned by the Municipality of Milan.

On August 2, 2019, the Municipality of Milan, also on behalf of the Municipality of Brescia, announced that the aforementioned Shareholders' Agreement was not subject to termination. Consequently, the agreement is to be considered renewed with effect from February 1, 2020 to January 31, 2023.

On August 2, 2022, the Municipality of Milan, also on behalf of the Municipality of Brescia, announced that the aforementioned Shareholders' Agreement was not subject to termination. Consequently, the agreement is to be considered renewed with effect from February 1, 2023 to January 31, 2026.

At the date of approval of these consolidated Financial Statements at December 31, 2023, each of the two shareholders hold 25% of the share capital plus one share (overall equal to 50% plus two shares), which allows the two municipalities to maintain control over the Company.

The A2A Group companies and the Municipalities of Milan and Brescia routinely entertain commercial relationships related to the supply of electricity, gas, heat, and potable water, management of public lighting systems and street lights, management of water purification and sewers, garbage collection and street sweeping and video surveillance.

Similarly, the A2A Group companies entertain commercial relationships with the companies controlled directly and indirectly by the Municipalities of Milan and Brescia, for example, Metropolitana Milanese S.p.A., ATM S.p.A., Brescia Mobilità S.p.A., Brescia Trasporti S.p.A. and Centrale del Latte di Brescia S.p.A., supplying them with electrical energy, gas, heat, water purification and sewer service at market rates appropriate to the supply conditions and providing the services required. Note that these companies are considered related parties in the preparation of the financial statement schedules pursuant to Consob Resolution 17221 of March 12, 2010.

The relationships between the Municipalities of Milan and Brescia and the A2A Group, in relation to granting the services associated with public lighting, street lights, management and supply of electricity, gas, heat, and water purification and sewer service are regulated by special conventions and specific contracts.

The relationships between the companies controlled by the Municipalities of Milan and Brescia, which refer to the supply of electricity, are at arm's length conditions.

In particular, on April 12, 2017, Amsa S.p.A., a subsidiary of A2A S.p.A., in execution of the original assignment ordered in 2001, signed a contract with the Municipality of Milan for the management of services aimed at environmental protection for the period from January 1, 2017 to February 8, 2021; following the publication of the first tender cancelled by the Municipality in consideration of the appeals notified and the second tender still in progress, the assignment was extended until March 31, 2024.

The tender now in progress was published on December 30, 2021; it is a European open procedure tender for the contracting of the municipal waste management service with reduced environmental impact from a life-cycle perspective, pursuant to the action plan for the environmental sustainability of consumption in the public administration sector (PAN GPP) and the Decree of the Ministry of the Environment and Protection of Land and Sea of February 13, 2014.

The bid submission date, originally set for July 11, 2022, has been set for October 31, 2022. Two operators notified appeals against the notice to the Regional Administrative Court of Milan, appeals that ended with the rejection rulings of October 16, 2023. The operator who also submitted a bid, within the deadline, notified an appeal to the Council of State.

The bids submitted by Amsa and one of the applicants were examined by the Municipality of Milan. The activities of the jury were concluded on December 18, 2023; on January 11, 2023 and February 9, 2024, the RUP of the Municipality of Milan formulated requests to Amsa for the information necessary to verify the congruity of the winning bid, and the conclusion of said procedure is necessary to reach the award decision.

Relationships with subsidiaries and associates

The parent company A2A S.p.A., operates like a centralized treasury for the majority of the subsidiaries.

Relations between the companies are regulated through current accounts between the parent company and the subsidiaries, on which rates are applied, at market conditions, based on variable Euribor, with specific spreads for companies. For the financial year 2023, A2A S.p.A. and its subsidiaries have adopted the VAT procedure of the Group.

Note that for IRES purposes, A2A S.p.A. files for tax on a consolidated basis, together with its main subsidiaries, in accordance with arts. 117-129 of Presidential Decree no. 917/86. To this end, with each of the subsidiaries joining, a special contract was drawn up to regulate the tax advantages/disadvantages transferred, with specific reference to the current entries. These contracts also govern the transfer of any excess of ROL as set forth by prevailing legislation.

The parent company provides the subsidiaries and associates with administrative, fiscal, legal, management and technical services in order to optimize the resources available in the company and to use the existing expertise in terms of economic convenience. These services are governed by specific service contracts stipulated annually. A2A S.p.A. also makes office space and operating areas at its own premises available to subsidiaries and associates, as well as associated services. These are provided at market conditions.

The companies A2A gencogas S.p.A. and A2A Energiefuture S.p.A., for a monthly fee related to the actual availability of the thermoelectric plants, provide to the Parent Company the power generation service.

As of July 1, 2018, the Acinque Group's related-party transactions with related parties of the A2A Group are shown as related parties.

As of November 1, 2020, the AEB Group's related-party transactions with related parties of the A2A Group are shown as related parties.

* * *

The information on corporate governance and ownership structures required by article 123-bis of Legislative Decree no. 58/1998, as amended, is contained in a separate document "Report on Corporate Governance and Ownership Structures for the year ended December 31, 2023", which forms an integral part of the financial statements documentation.

In compliance with the requirements of the "Regulation on provisions relating to related party transactions" adopted by Consob with Resolution no. 17221 of March 12, 2010 and subsequently amended by Resolution no. 17389 of June 23, 2010, by way of a resolution of November 11, 2010 the Management Board approved, following the favorable opinion of the Internal Control Committee, the prescribed procedure for identifying the rules and controls designed to ensure the transparency and substantial and procedural correctness of the related party transactions carried out by A2A S.p.A. directly or through its subsidiaries. The aforementioned Procedure was applied effective January 1, 2011 and subsequently amended on August 1, 2012, November 7 and December 18, 2013 and June 22, 2015.

Following a periodic review, the Procedure was subsequently amended/supplemented and approved by the Board of Directors on June 20, 2016, subject to the favorable opinion of the Audit and Risks Committee and then updated on June 22, 2017, in view of Consob Resolution no. 19925 of March 22, 2017 and on December 16, 2019, in view of the amendments to art. 192-quinquies of Legislative Decree no. 58 of February 24, 1998 ("TUF") (art. 4 of Legislative Decree no. 49 of May 10, 2019).

Lastly, by resolution of the Board of Directors on June 25, 2021, subject to the favorable opinion of the Related Parties Committee established by board resolution of May 13, 2021, the Procedure was amended - effective as of July 1, 2021 - to comply with the Related Parties Regulation, as amended by Consob Resolution no. 21624 of December 10, 2020, in implementation of the so-called "Shareholders' Rights II" Directive. The aforementioned Procedure can be found on www.gruppoa2a.it.

The company has availed itself of the possibility permitted by article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuers' Regulations, and hence of derogating from the requirement to make an information document available to public in the event of significant mergers, spin-offs, share capital increases by means of the contribution of assets in kind, acquisitions and disposals.

Below are the tables with detail of the related party transactions, in accordance with the Consob Resolution no. 17221 of March 12, 2010:

Balance sheet millions of euro	**Total 12 31 2023**	Associated companies and subsidiaries of associates	Related companies	Municipality of Milan	Companies controlled directly and indirectly Municipality of Milan	Municipality of Brescia	Companies controlled directly and indirectly Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
Total assets of which:	**18,798**	**52**	**41**	**92**	**23**	**18**	**-**	**-**	**226**	**1.2%**
Non-current assets	*10,972*	*6*	*25*	*24*	*-*	*5*	*-*	*-*	*60*	*0.5%*
Shareholdings	30	6	24	-	-	-	-	-	30	100.0%
Other non-current financial assets	67	-	1	-	-	5	-	-	6	9.0%
Other non-current assets	138	-	-	24	-	-	-	-	24	17.4%
Current assets	*7,826*	*46*	*16*	*68*	*23*	*13*	*-*	*-*	*166*	*2.1%*
Trade receivables	3,540	46	9	68	23	12	-	-	158	4.5%
Other current assets	2,264	-	1	-	-	-	-	-	1	0.0%
Current financial assets	33	-	6	-	-	1	-	-	7	21.2%
Total liabilities of which:	**13,996**	**69**	**6**	**3**	**1**	**8**	**-**	**-**	**87**	**0.6%**
Current liabilities	*7,020*	*69*	*6*	*3*	*1*	*8*	*-*	*-*	*87*	*1.2%*
Trade payables	4,105	64	5	3	1	8	-	-	81	2.0%
Other current liabilities	2,070	5	1	-	-	-	-	-	6	0.3%

Income statement millions of euro	**Total 12 31 2023**	Associated companies and subsidiaries of associates	Related companies	Municipality of Milan	Companies controlled directly and indirectly Municipality of Milan	Municipality of Brescia	Companies controlled directly and indirectly unicipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
Revenues	**14,758**	**63**	**31**	**330**	**93**	**42**	**4**	**-**	**563**	**3.8%**
Revenues from the sale of goods and services	14,492	63	31	330	93	42	4	4	563	3.9%
Operating expenses	**11,972**	**66**	**14**	**11**	**8**	**9**	**-**	**-**	**108**	**0.9%**
Expenses for raw materials and services	11,591	-	14	1	8	-	-	-	23	0.2%
Other operating expenses	381	66	-	10	-	9	-	-	85	22.3%
Labour costs	**815**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**0.1%**
Result from non-recurring transactions	**2**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**2**	**n.s.**
Financial balance	**(140)**	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**5**	**(3.6%)**
Financial income	83	-	-	-	-	5	-	-	5	6.0%

Section 2 of this file provides complete schedules as required under Consob Resolution no. 17221 of March 12, 2010.

It should be noted that during the year, A2A S.p.A. made grants totaling 3 million euro to foundations that have been included on a voluntary basis among related parties. Specifically, these involve: Fondazione AEM, Fondazione ASM, Fondazione LGH E.T.S., Comitato Banco dell'Energia Onlus, Fondazione Brescia Musei and Associazione Centro Teatrale Bresciano.

* * *

With regard to the compensation paid to the corporate governance bodies, reference shall be made to the document "Remuneration Report – 2024" available on the website www.gruppoa2a.it.

2.16

Significant non-recurring events and transactions, pursuant to Consob Communication No. DEM/6064293 of July 28, 2006

38) Significant non-recurring events and transactions, pursuant to Consob Communication No. DEM/6064293 of July 28, 2006

It should be noted that in the year under review, the possibility was exercised, pursuant to Article 15, paragraphs 10 et seq. of Legislative Decree No. 185/2008, to revalue, or recognize, the higher tax values of controlling interests arising from the Purchase Price Allocation (PPA) process and recognized in the consolidated financial statements as goodwill and other intangible assets. Against the payment of the substitute tax of 33 million euro, the derogatory revaluation resulted in the recognition of net deferred tax assets of 55 million euro, relating to off-balance-sheet deductions of the higher revalued values. These deferred tax assets will be released pro rata in connection with off-balance-sheet deductions starting in 2025.

During the year, the Group finalized the agreement with Acque Bresciane S.r.l., effective as of May 31, 2023, for the sale of the Integrated Water Service (IWS) Unit of the subsidiary Azienda Servizi Valtrompia S.p.A.. The Group had collected a first tranche of the sale value, amounting to 38 million euro, and recorded 41 million euro in other receivables pending the definition by the ATO (Ufficio d'Ambito - Ambit Office) of the final sale price at the closing of the transaction. As at December 31, 2023, the Group recognized 3 million euro under "Net result from operating assets sold/held for sale" regarding the reclassification of revenues and costs related to the unit sold.

Effective August 1, 2023, in accordance with the program to rationalize the group's non-strategic assets, the sale of the "Val Staffora" business unit to Romeo Gas S.p.A. was finalized and concluded.

2.17
Guarantees and commitments with third parties

millions of euro	12 31 2023	12 31 2022
Guarantees received	1,074	950
Guarantees provided	2,461	2,505

Guarantees received

Guarantees received amounted to 1,074 million euro (950 million euro at December 31, 2022) and included 475 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 518 million euro for sureties and security deposits received from customers to guarantee the regularity of payments and guarantees received by the ACINQUE Group for 60 million euro and guarantees received by the AEB Group for 21 million euro.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 2,461 million euro (2,505 million euro at December 31, 2022), of which for obligations undertaken in the loan agreements of 125 million euro. These guarantees have been issued by banks for 1,611 million euro, insurance companies for 39 million euro and the parent company A2A S.p.A., as parent company guarantee, for 672 million euro and guarantees provided by the ACINQUE Group for 90 million euro and guarantees provided by the AEB Group for 49 million euro.

* * *

Group companies hold third party assets under concession, relating mainly to the integrated water cycle, amounting to 66 million euro.

2.18

Other information

1) Significant events for the Group after December 31, 2023

For a description, reference is made to the paragraph “Significant events after December 31, 2023” of the Report on operations.

2) Information on treasury shares

At December 31, 2023, A2A S.p.A. had no treasury shares.

3) Transactions as per IFRS 3 revised

In 2023, the A2A Group completed the following acquisition of investments, which fall within the provisions of IFRS 3:

- the acquisition by A2A Calore & Servizi S.p.A. of 100% of Termica Cologno S.r.l. resulting in the full consolidation of the company.

The transaction summarized above is classified as business combination in accordance with international standard IFRS 3 “Business Combinations”; the Group fully consolidated the companies through the application of the acquisition method prescribed by IFRS 3, by virtue of the control obtained on the entities acquired.

IFRS 3 requires all business combinations to be accounted for using the acquisition method within twelve months from acquisition. The acquirer must therefore recognize all the identifiable assets, liabilities and contingent liabilities relating to the acquisition at their fair values at the acquisition date and highlight the eventual recognition of goodwill.

The fee transferred in a business combination is determined at the date of acquisition of control and is equal to the fair value of assets transferred, liabilities incurred, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are recognized in the income statement when incurred. At the date of acquisition of control, the net equity of the investee companies is determined by attributing to individual assets and liabilities their fair value, except in cases where the IFRS provisions provide a different valuation criterion. Any residual difference with respect to the purchase cost, if positive, is recognized under the item “Goodwill” (hereinafter also goodwill); if negative, it is recognized in the income statement.

Business combination Termica Cologno S.r.l.

On June 19, 2023, A2A Calore & Servizi S.r.l., a company 100% owned by A2A S.p.A., acquired 100% of the investment in Termica Cologno S.r.l. company that owns a cogeneration thermoelectric plant. The acquisition transaction was concluded for a value of 9 million euro (the price was fully settled at the transaction closing) and generated goodwill of 2 million euro.

4) Information on non-current assets and liabilities held for sale and discontinued operations (IFRS 5)

The items “Non-current assets held for sale” and “Liabilities directly associated with non-current assets held for sale” had a nil balance at December 31, 2023 as in the previous year.

5) Rules on public funding (Compliance with art. 1, paragraphs 125 et seq. of Law 124/17)

Pursuant to art. 1, paragraphs 125 and following Law 124/17, as reformulated by art. 35 of Decree Law 34/19, and considering that the Group companies have not received “subsidies, grants, advantages, contributions or aid, whether in cash or in kind, not general and with no consideration, remuneration or compensation”, this note is negative.

This is without prejudice to the fact that other information is (also in the wake of the principle pursuant to art. 18 L. 241/1990) available elsewhere, also by virtue of the criterion set forth in paragraph 127 of the same art. 1 L. 124/17, which prescribes to “avoid the accumulation of irrelevant information”, as well as what is specified in paragraph 125 quinquies of the same art. 1 L. 124/17 by virtue of which “for State aid and de minimis aid contained in the National Register of State Aid referred to in article 52 of Law No. 234 of December 24, 2012, the registration of aid in the aforesaid system, with consequent publication in the transparency section provided therein, carried out by the entities granting or managing such aid pursuant to the relevant rules, takes the place of the publication obligations placed on the entities referred to in paragraphs 125 and 125-bis".

It should also be noted that the companies of the A2A Group operate (for the most part) in regulated sectors. Therefore, some sums are recognized by public bodies, but not as subsidies/contributions, but as recognition of the activities they provide or as forms of compensation for costs incurred to meet specific regulatory obligations and in any case by virtue of a general regime. Also all these forms of payment have not been indicated: also in compliance with both the literal aspect of the regulations and with the interpretation criteria that the company has identified (see above).

6) Financial risk management

The A2A Group operates in the electricity, natural gas and district heating industry and is exposed to various financial risks in performing its activity:
a) commodity risk;
b) interest rate risk;
c) exchange rate risk not related to commodities;
d) liquidity risk;
e) credit risk;
f) equity risk;
g) default and covenant non-compliance risk.

The commodity price risk, related to the volatility of energy commodity prices (gas, electricity, fuel oil, coal, etc.) and prices of environmental securities (EUA/ETS emission rights, green certificates, white certificates, etc.), consists of the possible negative effects that a change in the market price of one or more commodities may have on the cash flows and income prospects of the company, including the exchange rate risk related to the same commodities.

Interest rate risk is the risk of additional financial costs as the result of an unfavorable change in interest rates.

Currency risk not related to commodities is the risk of higher costs or lower revenues because of an unfavorable change in exchange rates between currencies.

Liquidity risk is the risk that financial resources will not be sufficient to meet established financial and business obligations in a timely manner.

Credit risk is the exposure to potential losses deriving from non-performance of commitments by commercial, trading and financial counterparties.

Equity risk is the possibility of incurring losses due to an unfavorable change in the price of shares.

Default and covenant non-compliance risk represent the possibility that loan agreements or bond regulations to which one or more Group companies are party contain provisions allowing the counterparties, banks or bondholders, to ask the debtor for immediate reimbursement of the amounts lent if certain events take place.

Details on the risks to which the A2A Group is exposed are provided below.

a. Commodity risk

a.1) Commodity price risk and exchange rate risk involved in commodity activities

The Group is exposed to price risk, including the related currency risk, on all of the energy commodities that it handles, namely electricity, natural gas, heat, coal, fuel oil and environmental certificates; the results of production, purchases and sales are similarly affected by fluctuations in the prices of such energy commodities. These fluctuations act both directly and indirectly, through formulas and indexing in the pricing structure.

To stabilize cash flows and to assure the Group's economic and financial stability, A2A S.p.A. has an Energy Risk Policy that sets out clear guidelines to manage and control the above risks, based on guidance by the Committee of Chief Risk Officers Organizational Independence and Governance Working Group (CCRO) and the Group on Risk Management of Eurelectric. Reference was also made to the Accords of the Basel Committee on bank supervision and the requirements laid down in international accounting standards on how to recognize the volatility of commodity price and financial derivatives in the income statement and balance sheet.

In the A2A Group, assessment of this kind of risk is centralized at the holding company, which has established a Group Risk Management Organizational Unit as part of the Planning, Finance and Control Organizational Unit. This unit has the task to manage and monitor market and commodity risks, to create and evaluate structured products, to propose financial energy risk hedging strategies, and to support senior management in defining the Group's energy risk management policies.

Each year, the Board of Directors of A2A S.p.A. sets the Group's commodity risk limits approving the PaR and VaR proposed (prepared in the Risk Committee) in conjunction with approval of the Budget/Business Plan; Group Risk Management supervises the situation to ensure compliance with these limits and proposes to senior management the hedging strategies designed to bring risk within the set limits, if exceeded.

The activities that are subject to risk management include all of the positions on the physical market for energy products, both purchasing/production and sales, and all of the positions in the energy derivatives market taken by Group companies.

For the purpose of monitoring risks, industrial and trading portfolios have been separated and are managed in different ways. The industrial portfolio consists of the physical and financial contracts directly relating to the Group's industrial operations, namely where the objective is to enhance production capacity also through the wholesaling and retailing of gas, electricity and heat.

The trading portfolio comprises all contracts, both physical and financial, entered into to supplement the profits made from the industrial activities, i.e. all contracts that are ancillary though not strictly necessary to the industrial activity.

In order to identify trading activity, the A2A Group follows the Capital Adequacy Directive and the definition of assets held for trading provided by International Accounting Standard (IFRS) 9: namely assets held for the purpose of short-term profit taking on market prices or margins, without being for hedging purposes, and designed to create a high-turnover portfolio.

Given that they exist for different purposes, the two portfolios have been segregated and are monitored separately with specific tools and limits. More specifically, the trading portfolio is subject to particular risk control and management procedures as laid down in Deal Life Cycle documents.

Senior management is systematically updated on changes in the Group's commodity risk by the Group Risk Management Unit, which controls the Group's net exposure. This is calculated centrally on the entire asset and contract portfolio and monitors the overall level of economic risk assumed by the industrial and trading portfolios (Profit at Risk - PaR, Value at Risk - VaR, Stop Loss).

a.2) Commodity derivatives, analysis of transactions

Derivatives of the industrial portfolio considered hedges

The hedging of price risk by means of derivatives focuses on protecting against the volatility of energy prices on the power exchange (IPEX-EEX), stabilizing electricity price margins on the wholesale market with particular attention being paid to fixed price energy sales and purchases and stabilizing price differences deriving from various indexing mechanisms for the pricing of gas and electricity. To that end, hedging contracts were executed during the year on electricity purchase and sale agreements and on contracts to hedge the fee for the use of electricity transport capacity between the areas of the IPEX market (CCC contracts); hedging contracts were also concluded for the purchase and sale of gas so as to protect sales margins and at the same time keep the risk profile to within the limits set by the Group's Energy Risk Policy.

As part of the optimization of the portfolio of greenhouse gas emission allowances (see Directive 2003/87/EC), the A2A Group has stipulated Future contracts on the ICE ECX (European Climate Exchange) price. These are considered hedging transactions from an accounting point of view in the event of demonstrable surplus/deficit quotas.

The fair value at December 31, 2023 was -2.3 million euro (32.4 million euro at December 31, 2022).

Derivatives of the industrial portfolio not considered hedges

Again with a view to optimizing the Industrial Portfolio, Future contracts have been entered into on the ICE ECX (European Climate Exchange) stock exchange price. These do not qualify as hedging transactions from an accounting point of view as they fail to meet the requirement set out in the accounting standards.

The fair value at December 31, 2023 was 1.1 million euro (0.2 million euro at December 31, 2022).

Derivatives of the Trading Portfolio

As part of its trading activity, the A2A Group has taken out Future contracts on major European energy stock exchanges (EEX, ICE) and Forward and Option contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. The Group has also stipulated Future contracts on the ICE ECX (European Climate Exchange) stock exchange price. Also as part of trading activities, Future, Forward and Option contracts were also stipulated for the market price of gas (ICE-Endex, CEGH, PEGAS).

The fair value at December 31, 2023 was -26.9 million euro (268.1 million euro at December 31, 2022).

a.3) Energy Derivatives, risk assessment of Industrial Portfolio derivatives

PaR[1] or Profit at Risk, is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the industrial portfolio. It is the change in the value of a financial instruments portfolio within set probability assumptions as the result of a shift in the market indices. The PaR is calculated using the Montecarlo Method (at least 10,000 trials) and a 99% confidence level. It simulates scenarios for each relevant price driver depending on the volatility and correlations associated with each one, using as the central level the forward market curves at the balance sheet date, if available. By means of this method, after having obtained a distribution of probability associated with changes in the result of outstanding financial contracts, it is possible to extrapolate the maximum change expected over a time horizon given by the accounting period at a set level of probability. Based on this methodology, over the time horizon of the accounting period and in the event of extreme market movements and at a 99% confidence level, the expected maximum negative change in financial derivatives outstanding at December 31, 2023 was 113.328 million euro (192.226 million euro at December 31, 2022).

millions of euro	12 31 2023		12 31 2022	
Profit at Risk (PaR)	Worst case	Best case	Worst case	Best case
Confidence level 99%	**(113.328)**	**145.548**	**(192.226)**	**299.227**

The A2A Group therefore expects, with a 99% probability, not to have changes compared to the fair value at December 31, 2023 exceeding 113.328 million euro of its entire portfolio of financial instruments due to unfavorable commodity price fluctuations in the 12 months following. If there are any negative changes in the fair value of hedge derivatives, these would be compensated by changes in the underlying physical.

a.4) Energy Derivatives, risk assessment of Trading Portfolio derivatives

VaR[2] (Value at Risk) is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the trading portfolio. It is the negative change in the value of a financial instruments portfolio within set probability assumptions as the result of an unfavorable shift in the market indices. VaR is calculated using the RiskMetrics method with a holding period of 3 days and a confidence level of 99%. Alternative methods are used for contracts where it is not possible to perform a daily estimate of VaR such as stress test analysis

Based on this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 3 days, the maximum estimated loss on the derivatives in question was 0.480 million euro at December 31, 2023 (2.948 million at December 31, 2022). In order to ensure closer monitoring of activities, VaR and Stop Loss (the sum of VaR, P&L Realized and P&L Unrealized) limits are also set.

1 Profit at Risk: statistical measurement of the maximum potential negative deviation of the margin of an asset portfolio in case of unfavourable market changes over a given time horizon and with a defined confidence interval.

2 Value at Risk: statistical measurement of the maximum potential drop in the fair value of an asset portfolio in the event of unfavourable movements in the market with a given time horizon and confidence level.

The following are the results of the assessments:

millions of euro	12 31 2023		12 31 2022	
Value at Risk (VaR)	VaR	Stop Loss	VaR	Stop Loss
Confidence level 99%, holding period 3 days	**(0.480)**	**(0.480)**	**(2.948)**	**(2.948)**

b. Interest rate risk

The Group is exposed to the risk that changes in the interest rate curve result in changes in economic results, cash flows and the value of assets and liabilities measured at fair value. The volatility of financial expenses associated to the performance of interest rates is monitored and mitigated through a policy of interest rate risk management aimed at identifying a balanced mix of fixed-rate and variable rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

The book value and type of gross debt at December 31, 2023 are shown in the table below:

millions of euro	12 31 2023			12 31 2022		
	Before hedging	After hedging	% after hedging	Before hedging	After hedging	% after hedging
Fixed rate	5,431	5,548	87%	5,168	5,332	77%
Variable rate	920	803	13%	1,721	1,557	23%
Total	**6,351**	**6,351**	**100%**	**6,889**	**6,889**	**100%**

At December 31, 2023, the following are the hedging instruments for interest rate risk:

millions of euro		12 31 2023		12 31 2022	
Hedging instrument	Hedged asset	Fair value	Notional	Fair value	Notional
IRS	Floating rate loan subsidiaries	2.4	25.4	4.4	43.9
Total		**2.4**	**25.4**	**4.4**	**43.9**

With reference to the accounting treatment, hedging derivatives for interest rate risk can be classified as follows:

millions of euro									
Accounting treatment	Type of derivatives	Financial assets				Financial liabilities			
		Notional at:		Fair value at:		Notional at:		Fair value at:	
		12 31 2023	12 31 2022	12 31 2023	12 31 2022	12 31 2023	12 31 2022	12 31 2023	12 31 2022
Cash flow hedge	IRS	-	-	-	-	25.4	43.9	2.4	4.4
Total		**-**	**-**	**-**	**-**	**25.4**	**43.9**	**2.4**	**4.4**

Derivatives on interest rates at December 31, 2023 in cash flow hedge refer to the following loans:

Loan	Derivative	Accounting
A5 variable rate bank loan, maturity December 2025, residual debt at December 31, 2023 of 4.4 million euro.	IRS on 100% of the amount of the loan until maturity thereof. At December 31, 2023, the fair value was positive for 0.2 million euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
VOLTA GREEN ENERGY variable rate bank loan, maturity December 2026, residual debt at December 31, 2023 of 0.8 million euro.	IRS on 100% of the amount of the loan until maturity thereof. At December 31, 2023, the fair value was positive for 0.04 million euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.
LA CASTILLEJA ENERGIA variable rate bank loan, maturity December 2034, residual debt at December 31, 2023 of 20.2 million euro.	IRS on 75% of the amount of the loan until December 2030. At December 31, 2023, the fair value was positive for 2.2 million euro.	The loan is measured at amortized cost. The IRS is a cash flow hedge, with 100% recognized in a specific equity reserve.

The Group performs sensitivity analysis by estimating the effects on the value of financial statement items relating to the portfolio of financial instruments deriving from changes in the level of interest rates.

In particular, the sensitivity analysis measures the potential impact on the Income Statement and shareholders' equity of different market scenarios that would determine the change in fair value of derivative financial instruments and the change in financial expenses related to the portion of gross debt not hedged.

These market scenarios are obtained by shifting the reference interest rate curve at the reporting date up and down in parallel.

Keeping all other variables constant, the pre-tax result would be influenced by changes in the level of interest rates as follows:

millions of euro	Effect on the Income Statement (before tax)		Effect on Equity (before tax)	
	-50 bps	+50 bps	-50 bps	+50 bps
Change in financial expenses on gross variable-rate debt after hedging	3.1	(3.1)	-	-
Change in fair value of derivative financial instruments classified as non-hedge	-	-	-	-
Change in fair value of derivative financial instruments classified as hedge (excluding BCVA as per IFRS 13):				
Cash flow hedge	-	-	(0.4)	0.4
Fair value hedge	-	-	-	-

c. Exchange rate risk not related to commodities

The Group is exposed to the risk that changes in exchange rates with respect to the currency of account may lead to changes in its results of operations and cash flows. In relation to exchange rate risk other than that included in the price of commodities, the hedging instrument at December 31, 2023 is as follows:

millions of euro		12 31 2023		12 31 2022	
Hedging instrument	Hedged asset	Fair value	Notional	Fair value	Notional
Cross Currency IRS	Fixed rate bond in foreign currency	(10.7)	98.0	7.2	98.0
Total		**(10.7)**	**98.0**	**7.2**	**98.0**

With regard to the accounting treatment, it is specified that the hedging derivative above is in cash flow hedge with full recognition in the equity reserve.

In particular, the underlying of the Cross Currency IRS derivative refers to the bond at fixed rate of 14 billion yen with maturity 2036 bullet issued in 2006.

A cross currency swap contract was stipulated for the entire duration of this loan, which converts the principal and interest payments from yen into euro.

At December 31, 2023, the fair value of the hedge was negative for 10.7 million euro.

It should be noted that a 10% positive shift in the EURJPY forward curve, with a consequent depreciation of the JPY, would result in a worsening of the fair value and, consequently, of the impact on shareholders' equity of 11 million euro. Conversely, a 10% negative shift in the EURJPY forward curve, resulting in an appreciation of the JPY, would result in an improvement in fair value of 13.4 million euro.

This sensitivity analysis was performed with the aim of calculating the effect of changes in the forward curve of the euro/yen exchange rate on the fair value ignoring any impact on the adjustment due to the bCVA.

d. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations in a timely manner or that it is able to do so under unfavorable economic conditions due to situations of tension or systemic crisis or to the changed perception of its riskiness by the market. This risk includes: i) the risk related to the company's inability to raise new funds (Funding Risk) and, ii) the risk related to the company's inability to liquidate assets on the market in a timely manner and at market conditions (Liquidity Market Risk).

One of the main factors influencing the market's perceived riskiness is the creditworthiness of A2A assigned by rating agencies. This judgement plays a very important role because it influences the ability of A2A to access sources of financing as well as the related costs. A deterioration in creditworthiness could lead to a limitation of access to the capital market and/or financing costs with a negative impact on the economic, financial and equity situation. A2A has a medium- and long-term rating of BBB (stable outlook) with S&P and Baa2 (stable outlook) with Moody's.

The profile of the Group's gross debt maturities is as follows:

millions of euro	Accounting Balance 12 31 2023	Portions maturing within 12 months	Portions maturing beyond 12 months	Portions maturing by				
				12 31 2025	12 31 2026	12 31 2027	12 31 2028	After
Bonds	5,157	357	4,800	299	597	298	496	3,110
Financial payables for rights of use*	177	35	142	32	20	19	15	56
Loans from banks and other lenders	1,017	383	634	107	87	76	79	285
Total	**6,351**	**775**	**5,576**	**438**	**704**	**393**	**590**	**3,451**

It does not include fair value derivatives included in the net financial position.
(*) Including finance leases.

The risk management policy, both in the short and medium/long term, is realized through (i) a debt management strategy diversified by funding sources with a balanced maturity profile, (ii) access to various sources of financing in terms of market and counterparty and (iii) maintenance of financial resources, consisting of both liquidity and committed credit lines, sufficient to meet expected and unexpected commitments over a given time horizon.

At December 31, 2023, the Group had a total of 3,559 million euro, as follows:

(i) committed revolving credit lines of 1,580 million euro, of which: a) 20 million euro maturing in 2024, b) 560 million euro maturing in 2025, c) 800 million euro maturing in 2026, d) 200 million euro maturing in 2028, unused;

(ii) available and not yet disbursed term loans of 350 million euro maturing between 2033 and 2043;

(iii) cash and cash equivalents totaling 1,629 million euro, including 1,487 million euro at the Parent Company level.

In addition, A2A maintains a Bond Issuance Program (Euro Medium Term Note Program), the size of which was increased to 7 billion euro with the annual renewal in July 2023; at December 31, 2023, 1,950 million euro is available.

Over the years, A2A has embarked on a path of issues with ESG characteristics, in the form of Green Bonds and Sustainability-Linked Bonds. For A2A, the failure to meet certain sustainability KPI (ESG) targets can lead to an increase in the financing costs of the debt instruments to which these KPIs are linked. In particular, A2A issued two Sustainability-Linked Bonds, the first in 2021 with a 10-year maturity and the second in 2022 with a 6-year maturity: for both bonds, the failure to reach the target related to the chosen KPI will result in a coupon increase of 25 basis points.

The following table represents the repayment schedule of financial liabilities (excluding payables for rights of use and including trade payables). The amounts shown in the table are future cash flows, nominal and non-discounted, determined with reference to the remaining contractual maturities, for the principal and interest portions. The undiscounted nominal flows of derivative contracts on interest rates are also included. Finally, any revocable financial lines used and current accounts payable are due within the next financial year.

12 31 2023 millions of euro	1- 3 MONTHS	4- 12 MONTHS	BEYOND 12 MONTHS
Bonds	341	67	5,498
Loans from banks and other lenders	21	309	769
Total financial flows	**362**	**376**	**6,267**
Payables to suppliers	872	25	8
Total trade flows	**872**	**25**	**8**

12 31 2022 millions of euro	1- 3 MONTHS	4- 12 MONTHS	BEYOND 12 MONTHS
Bonds	19	379	5,165
Loans from banks and other lenders	176	520	1,278
Total financial flows	**195**	**899**	**6,443**
Payables to suppliers	1,082	26	9
Total trade flows	**1,082**	**26**	**9**

e. Credit risk

Credit risk relates to the possibility that a counterparty, commercial or trading, may be in default, or fail to respect its commitment in the manner and timing provided by contract. This type of risk is managed by the Group through specific procedures (Credit Policy, Energy Risk Management procedure) and appropriate mitigation actions.

This risk is overseen by both the Credit Management function allocated centrally (and the corresponding functions of the operating companies) and the Group Risk Management Organizational Unit responsible for supporting the Group companies with reference to both commercial and trading activities. Risk mitigation is through the prior assessment of the creditworthiness of the counterparty and the constant verification of compliance with exposure limit as well as through the request for adequate guarantees.

The credit terms granted to customers as a whole have a variety of deadlines, in accordance with applicable law and market practice. In cases of delayed payment, default interest is charged as explicitly prescribed by the underlying supply contracts or by current law (application of the default rate as per Legislative Decree 231/2002).

Trade receivables are stated in the balance sheet net of any write-downs; the amount shown is considered to be a correct reflection of the realizable value of the receivables portfolio. For the aging of trade receivables, reference is made to note “Trade receivables”.

.f. Equity risk

At December 31, 2023, the A2A Group was not exposed to equity risk.

In particular, it should be noted that the parent company A2A S.p.A. did not hold any treasury shares at December 31, 2023.

As prescribed by IAS/IFRS, treasury shares do not constitute an equity risk as their purchase cost is deducted from equity, and even if they are sold any gain or loss on the purchase cost does not have any effect on income statement.

g. Covenants non-compliance risk

Bonds, loans, leases and committed revolving bank lines present terms and conditions in line with market practice for each type of instrument. In particular, they envisage:

- negative pledge clauses whereby the parent company undertakes not to pledge its assets and those of its material subsidiaries (as defined in the relevant documentation from time to time), subject to certain exceptions and a maximum permitted threshold, specifically identified;
- cross-default clauses, whereby, in the event of an event of default (exceeding specific materiality thresholds) on a specific financial indebtedness of the parent company and, in some cases, its material subsidiaries (as defined in the relevant documentation from time to time), a default also occurs on other loans or financial debt of the parent company that may become immediately due;
- pari passu clauses, whereby the parent company’s bonds and financial obligations have the same level of seniority as its other present and future non-secured and non-subordinated bonds or financial obligations.

The bonds issued by A2A S.p.A. include (i) senior unsecured bonds for a nominal amount of 5,050 million euro (book value at December 31, 2023 equal to 5,066 million euro) issued as part of the EMTN Program, which provide to investors a Change of Control Put option in the event of a change of control of the parent company resulting in a consequent downgrade of the rating to sub-investment grade level in the following 180 days (if within these 180 days, the company's rating returns to investment grade, the option may not be exercised); (ii) a bond in yen placed privately with a maturity in 2036 for a nominal amount of 98 million euro (book value at December 31, 2023 equal to 91 million euro), which provides to the investor a Put option in the event that the rating of the parent company is lower at BBB- or equivalent level (sub-investment grade).

The loans stipulated by A2A S.p.A. with the European Investment Bank (EIB), for a total nominal debt of 527 million euro (in addition to a further 200 million euro not yet disbursed) and a book value of 529 million euro, of which 203 million have a maturity of more than five years, include (i) a credit rating clause (if rated lower than BBB- or equivalent sub-investment grade) that provides for the obligation of A2A to inform EIB in the event of a rating downgrade and, in such circumstance, the right of EIB to request additional guarantees from A2A and, where such guarantees are not provided or are not satisfactory to EIB, the right to request early repayment of the loan, and ii) a clause for the parent company's change of control, with the right for the bank to invoke, subject to notice to the company containing the reasons, early repayment of the loan.

A loan of the subsidiary Agripower (formerly Fragea), whose residual debt at December 31, 2023 was 1.8 million euro, is secured by collateral on the property and plant financed.

The committed revolving bank lines of A2A S.p.A., for a total of 1,560 million euro, provide a Change of Control clause which, in the event of a change of control of the parent company causing a Material Adverse Effect, allows the majority of banks lending the line to request the line to be extinguished and any amounts drawn down to be repaid.

Some Acinque, and LA CASTILLEJA ENERGIA bank loans include financial covenants, as shown in the relevant table below.

At June 30, 2023, one of the three covenants in the Acinque EIB loan contract (Net Financial Debt/Ebitda) was not met.

With reference to the exceeding of the covenant as described above, it should be noted that Acinque requested the European Investment Bank to issue a waiver and that the Bank granted, subject to the issue by A2A S.p.A., a first demand guarantee for the entire amount financed in favor of the Bank, which took place in the second half of 2023 and with maturity on December 31, 2024. As at December 31, 2023, this covenant was met.

A2A Group - Financial covenants at December 31, 2023

Company	Lender	Level of reference	Level recognized	Date of recognition
ACINQUE	BEI	Available cash flow/net financial debt >= 14.0% Financial debt/equity <= 75.0% Net financial debt/Ebitda <= 3.0	22.86% 59.08% 2.86x	12/31/23 12/31/23 12/31/23
ACINQUE	Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.	Net Financial debt/Ebitda <= 4.0 Net Financial debt/Equity <= 1.0	2.86x 50.40%	12/31/23 12/31/23
ACINQUE	Banca Sella	Net Financial debt/Ebitda <= 4.0	2.8x	12/31/23
LA CASTILLEJA ENERGIA	CaixaBank	Debt Service Coverage Ratio >= 1.05x or not <1.10x for four consecutive Calculation Dates Senior Debt / Equity ratio <= 85%	1.50x 78%	12/31/23 12/31/23

Analysis of forward transactions and derivatives

Tests were performed to determine whether these transactions qualify for hedge accounting in accordance with International Accounting Standard IFRS 9.

In particular:

1) transactions qualifying for hedge accounting under IFRS 9: can be analyzed between transactions to hedge cash flows (cash flow hedges) and transactions to hedge fair value of assets and liabilities (fair value hedges). For the cash flow hedges, the accrued result is included in gross operating margin when realized on commodity derivatives and in the financial balance for interest rate and currency derivatives, whereas the future value is shown in equity. For fair value hedge transactions, the impacts in the Income Statement are recorded within the same line of the financial statements;
2) transactions not considered as hedges for the purposes of IFRS 9, can be:
   a. margin hedges: for all hedging transactions of cash flows or the market value in line with internal risk policies, the accrued result and future value are included in gross operating margin for commodity derivatives and in the financial balance for interest rate and currency derivatives;
   b. trading transactions: the accrued result and future value are recognized above gross operating margin for commodities transactions and in financial income and expense for interest rate and currency transactions.

The use of derivatives in the A2A Group is governed by a coordinated set of procedures (Energy Risk Policy, Deal Life Cycle) which are based on industry best practices and designed to limit the risk of the Group being exposed to commodity price fluctuations, based on a cash flow hedging strategy.

The derivatives are measured at fair value based on the forward market curve at the balance sheet date, if the asset underlying the derivative is traded on markets with a forward pricing structure. In the absence of a forward market curve, fair value is measured on the basis of internal estimates using models that refer to industry best practices.

The A2A Group uses “continuous-time” discounting to measure fair value. As a discount factor, it uses the interest rate for risk-free assets, identified in the Euro Overnight Index Average (EONIA) rate and represented in its forward structure by the Overnight Index Swap (OIS) curve. The fair value of the cash flow hedges has been classified on the basis of the underlying derivative contracts in accordance with IFRS 9.

In compliance with the provisions of IFRS 13, the fair value of an over-the-counter (OTC) financial instrument is determined taking into account the non-performance risk. To quantify the fair value adjustment attributable to this risk, A2A has, in line with best market practices, developed a proprietary model called the “bilateral Credit Value Adjustment” (bCVA), which takes into account changes in the creditworthiness of the counterpart as well as the changes in its own creditworthiness.

The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and the Debit Value Adjustment (DVA):

- the CVA is a negative component and contemplates the probability that the counterparty will default and at the same time that A2A has a receivable due from the counterparty;
- the DVA is a positive component and contemplates the probability that A2A will default and at the same time that the counterparty has a receivable due from A2A.

The bCVA is therefore calculated with reference to the exposure, measured on the basis of the market value of the derivative at the time of the default, the Probability of Default (PD) and the Loss Given Default (LGD). This latter item, which represents the non- recoverable portion of the receivable in the case of default, is measured on the basis of the IRB Foundation Methodology as stated in the Basel 2 accords, whereas the PD is measured on the basis of the rating of the counterparties (internal rating based where not available) and the historic probability of default associated with this and published annually by Standard & Poor's.

Applying the above method did not result in significant changes in fair value measurements.

Instruments outstanding at December 31, 2023

A) On interest and exchange rates

The following analyses show the notional amounts of derivative contracts stipulated and not expired at the reporting date, by maturity:

millions of euro	Notional Value (a)						Balance sheet value (b)	Progressive effect to Income statement (c)
	Due within 1 year		Due in 1 to 5 years		Due over 5 years			
	to be received	to be paid	to be received	to be paid	to be received	to be paid		
Interest rate risk management								
cash flow hedges as per IFRS 9		4.2		9.9		11.3	2.4	-
not considered hedges as per IFRS 9								
Total derivatives on interest rates	**-**	**4.2**	**-**	**9.9**	**-**	**11.3**	**2.4**	**-**
Exchange rate risk management								
considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions						98.0	(10.7)	
not considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions								
Total derivatives on exchange rates	**-**	**-**	**-**	**-**	**-**	**98.0**	**(10.7)**	**-**

(a) Represents the sum of the notional value of the elementary contracts that derive from any dismantling of complex contracts.
(b) Represents the net receivable (+) or payable (-) recognized in the balance sheet following the measurement of derivatives at fair value.
(c) Represents the adjustment of derivatives to fair value recognized progressively over time in the Income Statement from stipulation of the contract until the current date.

B) On commodities

The following is an analysis of the commodity derivative contracts outstanding at the balance sheet date set up for the purpose of managing the risk of the fluctuations in the market prices of commodities.

		Volume by Maturity			Notional Value	Fair value	
		Due within 1 year	Due within two years	Due within ten years		**Balance sheet Value (*)**	**Progressive effect to Income statement (**)**
Energy product price risk management	Unit of measurement	Quantity			Millions of euro	Millions of euro	Millions of euro
A. Cash flow hedges as per IFRS 9, including:						**(2.3)**	**-**
- Electricity	TWh	0.4	0.1	0.2	57.1	(3.6)	
- Oil	Bbl						
- Coal	Tonnes						
- Natural Gas	TWh	0.6			30.2	3.9	
- Natural Gas	Millions of cubic metres						
- Exchange rate	Millions of dollars						
- Emission rights	Tonnes	347,000	2,000		30.3	(2.6)	
B. considered fair value hedges as per IFRS 9						**-**	**-**
C. not considered hedges as per IFRS 9 of which:						**(25.8)**	**(294.1)**
C.1 hedge margin						**1.1**	**0.9**
- Electricity	TWh						
- Oil	Bbl						
- Natural Gas	Degrees day						
- Natural Gas	TWh						
- CO2 emission rights	Tonnes	127,000			11.4	1.1	0.9
- Exchange rate	Millions of dollars						
C.2 trading transactions						**(26.9)**	**(295.0)**
- Electricity	TWh	15.3	4.2		2,737.8	(74.8)	(165.2)
- Natural Gas	TWh	105.4	16.6	2.4	6,357.5	47.8	(129.5)
- CO2 emission rights	Tonnes	2,304,000	344,000		236.9	0.1	(0.3)
- Environmental Certificates	MWh						
- Environmental Certificates	Tep						
Total						**(28.1)**	**(294.1)**

(*) Represents the net receivable (+) or payable (-) recognized in the balance sheet following the measurement of derivatives at fair value.
(**) Represents the adjustment of derivatives to fair value recognized over time in the Income Statement from stipulation of the contract to the present date.

Financial and operating results for derivative transactions at December 31, 2023

Effects on the balance sheet

The following table shows the balance sheet figures at December 31, 2023, for derivative transactions.

millions of euro	Note	Total
Assets		
Non-current assets		**2**
Other non-current assets - Derivatives	5	2
Current assets		**1,526**
Other current assets - Derivatives	8	1,526
Total assets		**1,526**
Liabilities		
Non-current liabilities		**11**
Other non-current liabilities - Derivatives	19	11
Current liabilities		**1,553**
Trade payables and other current liabilities - Derivatives	20	1,553
Total liabilities		**1,564**

Effect on the income statement

The following table sets out the income statement figures at December 31, 2023 arising from the management of derivatives.

millions of euro	Note	Realized during the year	Change in fair value during the year	Amounts recognized in the income statement
Revenues	24			
Revenues from the sale of goods				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		41	-	41
- not considered hedges as per IFRS 9		800	454	1,254
Total revenues from the sale of goods		**841**	**454**	**1,295**
Operating expenses	25			
Expenses for raw materials and services				
Energy product price risk management and exchange rate risk management on commodities				
- considered hedges as per IFRS 9		(65)	-	(65)
- not considered hedges as per IFRS 9		(533)	(748)	(1,281)
Total costs for raw materials and services		**(598)**	**(748)**	**(1,346)**
Total recognized in Gross operating income (*)		**243**	**(294)**	**(51)**
Financial balance	31			
Financial income				
Interest rate risk management and equity risk management				
Income on derivatives				
- considered hedges as per IFRS 9		-	-	-
- not considered hedges as per IFRS 9		-	-	-
Total		-	-	-
Total financial income		-	-	-
Financial expenses				
Interest rate risk management and equity risk management				
Expenses on derivatives				
- considered hedges as per IFRS 9		-	-	-
- not considered hedges as per IFRS 9		-	-	-
Total		-	-	-
Total Financial expenses		-	-	-
Total recognized in financial balance		-	-	-

(*) The figures do not include the effect of the net presentation of the negotiation margin of trading activities.

Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity).

The last column of the table shows the fair value of the instrument at December 31, 2023, where applicable.

Criteria to measure the reported amount of financial instruments

millions of euro	Note	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	Statement of Financial Position Value	Fair value (*)
		Income statement	Equity				
		(1)	(2)	(3)	(4)		
Assets							
Other non-current financial assets							
Financial assets measured at fair value of which:							
- unlisted		1				1	n.a.
- listed						-	-
Financial assets held to maturity					-	-	-
Other non-current financial assets					66	66	66
Total other non-current financial assets	3					**67**	
Other non-current assets	5		2		136	138	138
Trade receivables	7				3,540	3,540	3,540
Other current assets	8	1,515	11		738	2,264	2,264
Current financial assets	9				33	33	33
Cash and cash equivalents	11				1,629	1,629	1,629
Liabilities							
Financial liabilities							
Non-current and current bonds	16 and 21		89		5,068	5,157	5,157
Other non-current and current financial liabilities	16 and 21				1,194	1,194	1,194
Other non-current liabilities	19		11		324	335	335
Trade payables	20				4,105	4,105	4,105
Other current liabilities	20	1,540	13		517	2,070	2,070

(*) The fair value has not been calculated for receivables and payables not related to derivative contracts and loans as the corresponding carrying amount is a good approximation to this.
(1) Financial assets and liabilities measured at fair value with the changes in fair value recognized in the Income Statement
(2) Cash flow hedges
(3) Financial assets available for sale measured at fair value with profit/loss recognized in equity
(4) Loans and receivables and financial liabilities measured at amortized cost

Fair value hierarchy

IFRS 7 and IFRS 13 require that fair value classification of financial instruments to be based on the quality of the input source used to calculate the fair value.

In particular, IFRS 7 and IFRS 13 set out three levels of fair value:

- level 1: this level consists of financial assets and liabilities for which fair value is based on (unadjusted) prices for identical assets or liabilities quoted on active official or over-the-counter markets;
- level 2: this level consists of financial assets and liabilities for which fair value is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly;
- level 3: this level consists of financial assets and liabilities for which fair value is based on unobservable market data. This level includes instruments measured on the basis of internal estimates made using proprietary methods based on best sector practice.

An analysis of the assets and liabilities included in the three fair value levels is set out in the following fair value hierarchy table.

millions of euro	Note	Level 1	Level 2	Level 3	Total
Assets measured at fair value	3		1		1
Other non-current assets	5		2		2
Other current assets	8	1,524	1	1	1,526
Total assets		**1,524**	**4**	**1**	**1,529**
Non-current financial liabilities	17	89			89
Other non-current liabilities	19		11		11
Other current liabilities	20	1,552	1	-	1,553
Total liabilities		**1,641**	**12**	**-**	**1,653**

Sensitivity analysis for financial instruments included in level 3

As required by IFRS 13, the following table sets out the effects arising from changes in the unobservable parameters used in calculating fair value for financial instruments included in level 3 of the hierarchy.

Financial instrument	Parameter	Parameter change	Sensitivity (millions of euro)
Commodity Derivatives	Probability of Default (PD)	1%	(0.002)
Commodity Derivatives	Loss Given Default (LGD)	25%	(0.000)
Commodity Derivatives	Price underlying interconnection capacity zonal Italy (CCC)	1%	0.0027

7) Main regulatory provisions regarding concessions and agreements in the sectors of activity in which the A2A Group operates

Large hydroelectric derivation concessions

The national discipline on large derivation hydroelectric concessions (i.e. plants with a nominal power greater than 3 MW) was originally dictated by R.D. 1775/1933, which was based on the issuance of concessions by the State on a long-term basis. This regulatory framework was subsequently superseded first by electricity sector nationalization Law no. 1643/1962, which resulted in Enel taking over the majority[3] of hydroelectric concessions with the relative recognition of an unlimited duration, and then by the liberalization of the market as a result of Legislative Decree 79/1999 (implementing Directive 96/92/EC), which introduced with art. 12 (and subsequent amendments) the principles of:

- the temporariness of the concessions, establishing a validity period (2029) for concessions without expiration because they are owned by Enel and assigning the term of December 31, 2010 for concessions that have already expired or are expiring by that date;
- contestability of concessions in the event of expiration, forfeiture or renunciation, providing the call for tenders by the competent administration (now the Region) for the allocation of the same for consideration.

Pending the reallocation of expired concessions, Legislative Decree 79/1999 (article 12, paragraph 8bis) provides that the outgoing concession holder is to continue to operate the concession under the same conditions as those laid down in the regulations and specifications in force. Some regions have also enacted regional laws concerning the so-called "temporary continuation of operation" of expired concessions, providing for the imposition of an additional fee.

Article 11-quater of Law 12/2019 has partially further amended the regulation of large-scale hydroelectric concessions: the new rules provide that the Regions regulate with their own laws the methods, procedures and criteria for the allocation of concessions, which may be entrusted to economic operators identified through a tender, or to public/private joint ventures with selection of the private partner through a tender, or through forms of partnership under Legislative Decree 50/2016.

Article 7 of Law 118/2022 (Annual Law for the Market and Competition 2021) established that the procedure for awarding the contract must be started within 2 years of the entry into force of the individual Regional Laws and, in any case, no later than December 31, 2023.

The duration of the new concessions will have to be between 20 and 40 years, with the possible extension of the maximum period by a further 10 years depending on the complexity of the project proposal and the amount of investment.

Article 11-quater cited (paragraph 1-quinquies) provides that a specific regional measure (after consulting ARERA) will define:

- a State fee to be paid on a six-monthly basis to the Regions, comprising a fixed component linked to the average nominal power of the concession and a variable calculated as a percentage of normalized revenues;
- the possible obligation for the concessionaires to supply annually and free of charge 220 kWh per kW of concession power for at least 50% destined to public services of the provincial territories involved in the derivation.

In terms of compensation to outgoing operators, article 11-quater prescribes:

- for wet works: the transfer without compensation of ownership to the Regions, except for the compensation only of investments not yet amortized;
- for dry works, the recognition of a value derived from accounting records or certified appraisal. In the event of non-inclusion in the project of the incoming concessionaire, removal and disposal of movable property is envisaged at the expense of the latter, while immovable property remains the property of the entitled parties.

Lombardy Region, with Article 31 of Regional Law 23/2019 (Budget Reconciliation 2020-22), has defined, starting from 2020, the obligation to supply free energy to the Region by all holders of concessions of large derivation (220 kWh for each kW of concession power), whether they are exercised before or after expiry, providing the monetization to be calculated based on the hourly zonal price that forms on the electricity market weighted on the quantity of energy injected into the grid by the power plant.

Lombardy Region approved R.L. 5/2020 (as amended by Regional Law 19/2021), which regulates the modalities and procedures for assigning concessions for large hydroelectric derivations and determines the state fee according to the

3 With the exception of derivations in the ownership of self-producers, municipal companies and local authorities.

new bi-component structure[4]. This law also defines the reconnaissance activity aimed at subsequent tendering. Subsequently, the Lombardy Region adopted Regulation 3/2022 for the preliminary procedures for the assessment of the public interest in relation to the various uses of water, as well as Regulation 9/2022 regulating the timing and procedures for the allocation procedures, a regulation that was later challenged before the Superior Court of Public Waters by a number of operators (the case is still pending).

Most of A2A S.p.A. large-scale hydroelectric derivation concessions located in Valtellina (for a nominal concession power of around 215 MW) have expired; Lombardy Region with Regional Council Resolution XI/1706 of December 28, 2023 allowed the temporary continuation of its operation until December 31, 2024, or shorter term, should the reassignment procedures, not yet started, be concluded at an earlier date, confirming the payment of an additional fee and the non-application of the partial exemption from the state fee on the Premadio 1, Grosio, Lovero and Stazzona plants. With reference to the Resio (BS) concession, owned by Linea Green S.p.A. (a wholly-owned subsidiary of A2A S.p.A.), the Lombardy Region announced with R.C.R. 1602 of December 18, 2023 the start of the reallocation procedure, defining the essential elements of the notice to be issued in the following 120 days. Other A2A S.p.A. concessions (plants in Mese, Friuli and Calabria for a total nominal concession capacity of about 345 MW) expire in 2029, as the Gravedona concession of Acinque Innovazione S.r.l. (Acinque Group), also with an expiry date of 2029.

Concessions for thermoelectric power plants

As far as concessions for thermoelectric power plants are concerned, the relevant regulations have evolved in a very heterogeneous manner. For example, with reference to concessions for the derivation of public water for industrial use, the discipline was initially defined by Law no. 2644/1884 and by Royal Decree 1775/1933 to subsequently have an outline on a more local basis also through agreements with specific consortia of reclamation and irrigation.

The granting bodies may be identified alternatively in the Region and in the Province for concessions for the derivation of public water and for those relating to the occupation of state-owned areas and in the Port Authorities for concessions relating to the occupation of maritime state-owned areas.

A2A Energiefuture S.p.A. and A2A Gencogas S.p.A. hold the following types of concessions for the operation of their own thermoelectric power plants:

- concessions for the derivation of public water: (i) for the cooling of thermoelectric power plants; (ii) for industrial use; (iii) for other uses;
- concessions for the occupation of: (i) state-owned areas; (ii) maritime state-owned areas.

Natural gas distribution and metering service

The regulations governing concessions for the distribution of natural gas through local networks, initially contained in the deeds of award stipulated with the municipalities in implementation of laws of principle dated back to the early 1900s, have been the subject of numerous amendments over the years.

The main ones, introduced by Articles 14 and 15 of Legislative Decree 164/2000 (transposing Directive 98/30/EC), defined the criteria for standardizing the sector providing: (i) a maximum duration of 12 years for concessions, (ii) the award of the service by local authorities through a public tender and (iii) the relationship with the operator is regulated by a specific standard contract approved by ministerial decree containing, in particular, the procedures for performing the service, the quality objectives, the economic aspects and the conditions for early termination of the company for failure by the operator.

Subsequently, Article 46-bis of LD 159/2007 delegated the Ministers of economic development and for regional affairs and local autonomies, having heard the Unified Conference and on the advice of the Authority for electricity and gas (now ARERA), to define the criteria for holding the tenders,

4 With reference to the fixed component, Council Resolution no. XII/618 of July 10, 2023 updated the relative tariff following the application of the annual variation of the ISTAT index on the industrial price for the production, transport and distribution of electricity, setting it at 93.37 euro/kW for 2023.

establishing that they no longer be carried out by individual Municipality but by Minimum Territorial Areas (ATEM), subsequently identified as 177 by MiSE MD of January 19, 2011, while the subsequent MD October 18, 2011 defined the Municipalities belonging to each ATEM. Finally, MD 226/2011 defined the tender criteria.

Over the years, the regulations have been subject to many innovations, especially with reference to the provisions for defining the redemption value to be recognized to the outgoing operator and the valorization of the assets owned by the Conceding Entities (inter alia, see the Annual Market and Competition Law 2021) and the terms within which the tenders must be announced, extended several times, and the penalties originally envisaged for the Conceding Entities in the event of non-compliance have been eliminated.

As far as the A2A Group is concerned, the natural gas distribution concessions are held by Unareti S.p.A., Azienda Servizi Valtrompia S.p.A., LD Reti S.r.l., RetiPiù S.r.l.[5] (AEB Group), in addition to Lereti S.p.A[6] and Reti Valtellina Valchiavenna S.r.l. (two companies of the Acinque Group). The main contracts[7] relate to the ATEM of Milan 1 (where Unareti S.p.A. is assignee of the service following a tender launched pursuant to MD 226/2011) and the provincial capitals of Brescia, Bergamo, Varese, Cremona[8], Lodi, Lecco, Sondrio and Monza-Brianza (as well as numerous municipalities, in the provinces of Brescia, Bergamo, Como, Cremona, Lecco, Lodi, Monza-Brianza, Pavia, Varese).

Concession for the distribution and metering of electricity service

Electricity distribution activities are carried out under a thirty-year concession granted by the Ministry of Economic Development for each municipal area, pursuant to art. 9 of Legislative Decree 79/1999 (expiry December 31, 2030).

As far as the A2A Group is concerned, the electricity distribution and metering concessions are held by Unareti S.p.A., Camuna Energia S.r.l., LD Reti S.r.l. and RetiPiù S.r.l. (AEB Group), while they are held by Reti Valtellina Valchiavenna S.r.l. for the Acinque Group, and concern the municipalities of Milan, Rozzano, Brescia, Cremona, Sondrio and Seregno, in addition to numerous municipalities in the province of Brescia and Sondrio.

Integrated Water Service (SII)

In accordance with the provisions of Legislative Decree 152/2006, the SII is organized on the basis of Optimal Territorial Ambits (ATO) defined by the Regions and, as a rule, coinciding with the provincial territory. In compliance with the scope plan and the principle of a single management, the Ambit Government Entity (EGA) decides on the form of management (award by tender, mixed public-private company and in house providing) and, consequently, provides for the award, for 30 years, of the SII in compliance with national regulations on the organization of local public services to networks of economic importance. The direct award may be made to entirely public companies that meet the requirements of European law and are in any case owned by the local authorities covered by the ATO.

LD 201/2011 (so-called 'Salva Italia') entrusted ARERA with the regulatory and control competences in the SII. The Authority has introduced significant innovations, providing for Consolidated Texts on tariff preparation, technical quality, contractual quality, user fee structure, arrears, social bonus and metering rules.

The SII is applied art. 34 of Law Decree 179/12 supplemented by Law 115/2015 (Article 8, paragraph 1), which establishes mandatory principles for local authorities for the award of services and regulates the transitional period of pre-existing awards validly absent. In particular, it is envisaged that the award of services provided by listed companies and subsidiaries of listed companies (such as those held by subsidiaries of A2A S.p.A.) will cease upon expiry of the service contract or other acts governing the relationship.

LD 133/2014 (Unlock Italy Decree) provided that, at the time of first application, the EGA, in order to ensure the achievement of the principle of single management within the ATO, provide for the award to the single operator of the area at the end of the existing management, operating on the basis of an award approved in accordance with the legislation pro tempore in force and not declared ceased pursuant to law. The legislator provided for certain exceptions to the establishment of the single operator by the EGA: in particular, in the event that the ATO coincides with the regional territory, it is allowed to award the SII in territorial areas, however, not less than the territory corresponding to the provinces or metropolitan cities.

5 Following the industrial integration with the A2A Group, the municipalities present in the ATEMs of Milan 4, Bergamo 1, Bergamo 2, Bergamo 3 and Bergamo 5 (around 78 thousand PoR) were demerged with transfer by Unareti S.p.A. in favor of the AEB Group (and therefore to RetiPiù S.r.l.), effective from November 1, 2020.

6 The company was created on January 1, 2020 from the merger between Acsm Agam Reti Gas Acqua S.p.A. and Lario Reti Gas S.r.l..

7 In March 2022, the extraordinary transaction with Romeo Gas S.p.A. took effect, which led to the sale of some localities previously managed by Unareti S.p.A. and LD Reti S.r.l. and all of Serenissima Gas S.p.A. (Acinque Group company).

8 Determination no. 733 of November 21, 2023 revoked the ATEM CR2-3 Call for Tenders, published in 2015.

The A2A Group carries out the SII, through its subsidiaries and safeguarded in accordance with Legislative Decree 152/2006, in Brescia and in several municipalities of the province by means of A2A Ciclo Idrico S.p.A.[9] and Azienda Servizi Valtrompia S.p.A. (ASVT)[10] and by means of Lereti S.p.A. (Acinque Group) in Varese and Como and relative provinces[11].

District heating

In Italy, there is no comprehensive legislative framework defining the way in which the district heating service is to be awarded, since neither the national legislator nor the administrative case-law in its rulings have unambiguously considered district heating as a local public service. Applicable to the service is Legislative Decree 201/2022. In Lombardy, an initial discipline is dictated by Regional Law 26/2003. In such a poorly defined regulatory context, the local authority that considers this service as a local public service regulates it using licensing schemes and, in previous years, also authorizing schemes. In other cases, the municipalities do not assume district heating as a public service and, therefore, regulate different aspects such as the use of the subsoil.

In cases where district heating is used as a public service, the relationship between the municipality and the operator is governed by agreements or service contracts with which the granting body has awarded the management within the municipality, providing for a fee and certain rules for the provision of the service, for a period that is ordinarily long in view of the underlying investments, also conferring exclusive management.

Legislative Decree 102/2014 (transposing Directive 2012/27/EC on energy efficiency) attributed in Articles 9, 10 and 16 specific regulation and control powers to ARERA also in the district heating/ district cooling sector, albeit only on specific aspects since it is not a true tariff regulation, so much so that the supply price has always been defined by each operator, based on the characteristics of its system, users and the territory served. However, in recent years, the Authority has intervened, regulating various areas of the service, including:

i. price transparency through the definition of minimum contents of supply contracts and the introduction of information obligations for operators;
ii. commercial quality by introducing specific obligations for operators (compliance with specific and general levels, compensation);
iii. technical quality in relation to security and continuity and the quality of metering, introducing service obligations and quality standards for the metering of energy supplied to users.

The aforementioned Legislative Decree was recently amended by Article 47 bis of Law 41/2023, which provided for the introduction of a cost-reflective regulation of district heating tariffs. ARERA Resolution 638/2023/R/tlr approved the TLR Tariff Methodology, which defines a transitional economic regulation for 2024, based on a revenue constraint calculated using the avoided cost methodology (gas) for the end customer, while from 2025, the adoption of a full regime method (which should remain RAB-based) is envisaged.

As far as the A2A Group is concerned, the service is managed by A2A Calore e Servizi S.r.l. and by Gelsia S.r.l.[12] (AEB Group), and for the Acinque Group by Comocalor S.p.A., Acinque Tecnologie S.p.A. and Acinque Energy Greenway S.r.l.. The main municipalities that use the service are

9 The Brescia EGA concluded the preliminary investigation process regarding the rotation in the management of the concessions previously granted to A2A Ciclo Idrico S.p.A. that had reached their natural expiry date and/or had been aggregated and the consequent sale of the business compendium instrumental to them after liquidation of the residual industrial value, as defined in application of the ARERA Resolutions, to Acque Bresciane S.r.l., a totally public company established in 2017. The 12 municipalities concerned are Bassano Bresciano, Bedizzole, Isorella, Manerbio, Milzano, Offlaga, Remedello, Roncadelle, San Gervasio Bresciano, San Zeno, Verolavecchia and Visano. In order to execute, the companies defined agreements in 2023, the execution date of which is being updated.

10 The concessions for the SII in the municipalities of Bovegno, Caino, Collio, Concesio, Gardone Val Trompia, Irma, Lodrino, Lumezzane, Marcheno, Marmentino, Pezzaze, Polaveno, Sarezzo, Tavernole Sul Mella, and Villa Carcina have reached their natural expiry date and the related business segments were transferred by ASVT S.p.A. to Acque Bresciane S.r.l. on June 1, 2023 subject to settlement of the residual industrial value as defined in application of the ARERA Resolutions.

11 In the ATO of Como, Como Acqua S.r.l, a totally public company established to manage the SII in the Province, took over from Lereti S.p.A. the management of the aqueduct service in the Municipality of Cernobbio as of January 1, 2023. In the ATO of Varese, the reorganization of operations for the future process of taking over the expiring concessions is being studied, in agreement with the EGA and the Area Manager Alfa S.r.l..

12 Gelsia S.r.l. operates district heating services not under a concession but under private initiatives.

Bergamo, Brescia, Milan, Cremona (as well as some municipalities in the same provinces), Lodi, Varese, Como, Lecco (here also in the municipalities of Valmadrera and Malgrate[13]), Monza, Seregno and Giussano.

Public lighting

The public lighting service includes the management of systems (operation, maintenance and periodic checks) as well as the supply of electricity to supply the lighting points, as well as the implementation of modernization and energy requalification interventions. Even for public lighting, as for district heating, there is no detailed regulatory framework. Local authorities that also identify this service as a local public service of economic importance must comply with art. 34 of LD 179/2012 and subsequent amendments and Legislative Decree 201/2022 and, therefore, entrust the service in compliance with EU principles.

As highlighted by the Annex to Ministerial Decree of March 28, 2018 that disciplines the "Minimum environmental criteria of public lighting services" (CAM), in implementation of a general principle of the law, the duration of the service to be awarded must be commensurate with the activities included in the contract, the degree of economic exposure envisaged and, therefore, the time needed to amortize the investment plan.

The A2A Group manages the public lighting service[14] through A2A Illuminazione Pubblica S.p.A. (AEB Group companies), in Milan and in thirteen municipalities of its province, in Brescia and in Bergamo, in addition, among others, to the municipalities of Bisignano, Busto Arsizio, Carbonara al Ticino, Casalmaggiore, Cassano Magnago, Castelletto sopra Ticino, Crevoladossola, Fiorenzuola d'Arda, Isola d'Asti, Melissano, San Gregorio Magno, Sant'Arsenio, Seregno, Stradella, Villanova D'Ardenghi, Villanterio and Volpiano. Through Acinque Group companies, the service is managed in numerous municipalities, including Bovisio Masciago, Cantello, Castiglione Olona, Costa Masnaga, Melzo, Monza, Nova Milanese, Pero, Robbiate, Zibido San Giacomo and Messina (Acinque Tecnologie S.p.A.), as well as in the municipalities of Sernio, Sondrio, Tirano and Valdisotto (Reti Valtellina Valchiavenna S.r.l.).

Management of the municipal hygiene service

Environmental services are related to the case of local public services of economic importance and the procedures for awarding them are governed by art. 202 of Legislative Decree 152/2006 and by art. 34 of Law Decree 179/2012 as well as by Legislative Decree 201/2022. The services of collection, transport, sweeping and washing of roads, recovery and disposal of waste are regulated by a specific service contract with the granting Municipality aimed at defining the essential elements of the award including the duration of management, the economic aspects of the contractual relationship as well as the organizational and management methods of the service and the quantitative and qualitative levels of the services provided. In defining the concessionary relationship, the Granting Body takes into account the achievement of objectives of efficiency, effectiveness and cost-effectiveness of the service.

Budget Law 2018 entrusted ARERA with the regulatory and control powers in the waste sector, including differentiated, urban and assimilated waste: Resolution 389/2023/R/rif defined the criteria for the recognition of the efficient operating and investment costs of the integrated waste service for the period 2024-2025 (MTR-2 update), setting the criteria for defining the access tariffs to the treatment plants of undifferentiated and OFMSW. In addition, Resolution 15/2022/R/rif introduced the Consolidated Act for the regulation of the quality of municipal waste management for the period 2023-2025, providing for a set of contractual and technical quality obligations, minimum and homogeneous for all management, flanked by quality indicators and related general standards differentiated by regulatory schemes, identified in relation to the actual starting quality level guaranteed to users in the various management schemes.

Lombardy Region has organized integrated waste management using the provisions of art. 200, paragraph 7, of Legislative Decree 152/2006, i.e. without the establishment of any Optimal Territorial Area (ATO) and attributing to the municipalities the competences for entrusting the service, which they exercise individually or in associated form. In addition, with Council Resolution no. 5777/2021, the Region complied with the provisions of ARERA Resolution no. 363/2021/R/rif, declaring the treatment plants for undifferentiated waste and OFMSW to be "additional" (i.e. whose access fees are not determined by ARERA). The Region has, however, strengthened the monitoring obligations of plant operators, reserving the possibility of revising said declaration during the biennial updating of tariffs and following any changes in market conditions and the adoption of the National Waste Management Plan.

13 The design, development, and management of district heating in the municipalities of Lecco, Malgrate, and Valmadrera will be carried out by Acinque Energy Greenway S.r.l., a company owned by Varese Risorse S.p.A. (70%) and Silea S.p.A. (30%).

14 Inclusive for some municipalities also the management of traffic lights and votive lamps.

ARERA also published Resolution no. 385/2023/R/rif on the adoption of the "Standard scheme of the service contract for the regulation of relations between entrusting bodies and managers of the municipal waste service", defining the minimum essential contents required by current legislation, without prejudice to the contractual autonomy of the Parties in regulating further contents, in compliance with current legislation and regulatory measures.

The urban hygiene service is provided by Amsa S.p.A., Aprica S.p.A., Linea Gestioni S.r.l. (merged into Aprica S.p.A. from December 31, 2023), controlled by A2A Ambiente S.p.A., and by Gelsia Ambiente S.r.l. (AEB Group), while for the Acinque Group, it is carried out by Acinque Ambiente S.r.l.. The main awards concern Lombardy (municipalities of Milan[15], Brescia, Bergamo, Como, Cremona and Lodi with different deadlines based on the deeds governing the relationship with the individual municipalities) and East Liguria.

15 The tender for the award of the contract for the management of the urban hygiene service in the Municipality of Milan (called with Determination to contract no. 12344 of December 30, 2021) is being awarded (Amsa S.p.A. first on the list).

8) Update of the main legal and tax disputes still pending

Adequate provisions are provided where necessary for the disputes and litigation described below.

It is noted that if there is no explicit reference to the presence of a provision, the Group assessed the corresponding risk as possible without appropriating provisions in the financial statements.

It should be noted that certain disputes illustrated in previous financial statements and still pending are not further reported due to the absence of updates or the modification of the previous risk situation.

A2A S.p.A.

Reorganization of Edison - compensation cases

Carlo Tassara: first lawsuit for damages against EDF and A2A S.p.A. First and second instance

On March 24, 2015, Carlo Tassara S.p.A. notified A2A, Electricité de France (EDF) and Edison a summons requesting the Court of Milan to condemn A2A and EDF to compensation for damages allegedly suffered by Carlo Tassara, in its capacity as minority shareholder of Edison, in relation to the mandatory tender offer launched by EDF on Edison shares consequently to the transaction by which, in 2012, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.

In the summons notified, Carlo Tassara complained that, in the transaction, EDF and A2A agreed on a mutual "discount" on the price paid by EDF for the purchase of Edison shares, on the one hand, and on the price paid by A2A for the purchase of 70% of Edipower, on the other. This discount was expected to be the result of abusive conduct by EDF and A2A as shareholders of Edison and the violation, among other things, of the regulations on transactions with related parties. This - according to Carlo Tassara - was expected to allow maintaining artificially low the price of the Edison shares paid to A2A and consequently the tender offer price paid to minorities of Edison (which by law was expected to be equal to that paid to A2A).

The writ of summons did not quantify the damage allegedly suffered by Carlo Tassara as a result of such transactions. However, with brief on February 20, 2017, Carlo Tassara requested the judge (who rejected the preliminary request) to have an expert witness to calculate the damages (specifying that they should have been quantified in the alleged difference between the tender offer price and the market value that the Edison shares had previously). Carlo Tassara also filed an appraisal in which such damages were quantified in a total amount between 197 and 232 million euro, amount to calculate the compensation due from each of the companies that will be considered responsible by the judge.

After several postponements justified also by modifications of the judge, on October 17, 2018, the judge rejected the requests for investigation of the plaintiffs, setting March 19, 2019 as the hearing for clarification of conclusions.

On September 8, 2021, the Milan Business Court filed Sentence 7859 rejecting all of the claims made by Carlo Tassara S.p.A., without accepting the reconstruction according to which the shareholders acted to cause an undervaluation of Edison and Edipower. According to the Business Court of First Instance, in the case submitted, the conditions for assessing management and coordination were not met. The Court also found that the price of Edison shares, at which EDF purchased its shares during the tender offer, was not subject to review because it was the price defined by Consob pursuant to article 106 of the TUF; the sentence also highlights the difference between the price of Edison shares and the value of the Edipower subsidiary and, more importantly, the price at which the latter was sold to A2A.

Carlo Tassara S.p.A. served a writ of summons on the appeal and A2A S.p.A. entered an appearance requesting that the Tassara S.p.A. appeal be declared inadmissible as well as groundless, and re-proposed the exceptions, defenses and requests raised in the first level of judgement for full protection. At the first hearing on March 2, 2022, the judge adjourned the case for clarification of conclusions and the hearing as a result of the adjournments to May 8, 2024.

Carlo Tassara: second lawsuit for damages against Transalpina dell'Energia and A2A S.p.A.

On April 14, 2022, Carlo Tassara S.p.A. served a new summons on the Court of Milan, requesting that Transalpina Di Energia and A2A be ordered, jointly and severally with each other, to pay Carlo Tassara S.p.A. the damages that will be quantified in the course of the proceedings, after ascertaining and declaring the liability of the two companies for the breach of article 106 TUF (Total Tender Offer).

In the writ of summons, Carlo Tassara S.p.A. quantifies the damage caused by the write-down of the value of its equity investment in Edison at 316,843,562.97 euro, figure resulting from the theoretical value of the tender offer calculated by Carlo Tassara S.p.A. on the basis of:

a) Value of Edison shares recorded in the financial statements by TDE and A2A (1.5003 euro/share);

b) Value assigned by Edison in fair value appraisals (1.3 euro/share);

c) Highest edict value identified by Consob (0.95 euro/share);

d) Market value to be defined by the Court.

The writ of summons provides a description of the facts related to the extraordinary transaction to be ascertained: (i) the avoidance and violation of article 106 of the TUF and (ii) the demonstration of the existence of an alleged pact between the two defendants to depress Edison's value, prior to launching a takeover bid - with the consequent violation of the rule protecting minority shareholders of listed companies and non-achievement of the latter of: (i) control price and (ii) market price of the Edison shares held by Carlo Tassara S.p.A..

In anticipation of the first hearing set for January 11, 2023, A2A entered an appearance and illustrated the grounds for the rejection of the appeal. At the hearing, the judge declared the default of TDE (which did not enter an appearance and did not appear at the hearing) and, on January 12, 2023, with an order outside the hearing, adjourned the case for the definition of the conclusions to July 4, 2023, in order to allow the panel, before considering the merits of the deeded claims, to examine the procedural objections raised by A2A. After said hearing, the parties were able to file their pleadings and the filing of the first instance ruling is awaited. On March 1, 2024, a non-definitive sentence was filed, putting the case back on the register for the continuation of the preliminary investigation phase - with separate ordinance, the court set the next hearing for March 12 - and rejecting the preliminary objections of inadmissibility of the claim, lack of passive legitimacy of A2A and lis pendens.

Class Action notified by shareholder of ordinary shares

On May 4, 2022, a natural person shareholder, owner - at the date of the reorganization transactions of Edison S.p.A. - of 1,250,000 ordinary shares of Edison S.p.A. (equal to 0.025% of the share capital of Edison S.p.A.), served a summons pursuant to article 140-bis of Legislative Decree September 6, 2005, no. 206 of the Consumer Code for a class action before the Business Court of Milan, seeking an order that Transalpina Di Energia and A2A, jointly and severally with each other, pay to itself, and to all class members who joined the action within the terms that may be set by the Court after declaring the admissibility of the action, compensation for damages to be quantified in the course of the proceedings, after ascertaining and declaring the liability of the two companies for the breach of article 106 TUF (Total Tender Offer).

The factual reconstruction proposed by the plaintiff and the alleged liability of the two defendant companies retrace the contents of the writ of summons served a few weeks earlier by Carlo Tassara S.p.A. (reference is therefore made to the statement of this position).

The hearing was held on November 24, 2022 and on January 12, 2023, the Court filed an order in which it declared the class action request inadmissible, accepting the objections and defenses of A2A and sentencing the plaintiff to pay A2A legal expenses and to publish the operative part of the order in "Il Sole 24 Ore" newspaper within the following 30 days.

On March 1, 2023, the original applicant notified to A2a S.p.A. the complaint already filed in the Court of Appeal and the order setting the hearing for May 10, 2023. Following said hearing, the Court of Appeal set a new hearing for November 15, 2023. Following the discussion, the filing of the complaint ruling is awaited.

If the complaint is upheld, the first-instance class action proceedings, currently not proceeding in light of the January 12, 2023 order, would resume.

The Group, having fulfilled the requirements of the regulations in force, does not consider likely the risk for which it has not allocated any provisions.

Shareholders’ Agreement between A2A S.p.A. and Pessina Costruzioni S.p.A. for the management of ASM NOVARA S.P.A.

In March 2013, Pessina Costruzioni established arbitration proceedings against A2A S.p.A. to have the latter declared in breach of the shareholders’ agreement signed between the parties on August 4, 2007 with reference to the company ASM NOVARA S.p.A. (now extinct) and to order A2A S.p.A. to pay damages accordingly. With an award filed on June 30, 2015, the arbitration board, with dissenting opinion of the arbitrator appointed by A2A S.p.A., found A2A S.p.A. responsible for the breach of the shareholders’ agreement and, consequently, ordered it to pay damages, which were awarded on an equitable basis.

The Court of Appeal of Milan on November 23, 2016 with Sentence 4337/16 rejected the appeal of A2A S.p.A. for nullity of the award.

The Court of Cassation, with Order 18220 filed on June 26, 2023, accepted the first reason of the appeal notified by A2A S.p.A., considered the remaining reasons absorbed and quashed with adjournment the sentence of the Court of Appeal of Milan.

The company A2A S.p.A. and also the company Pessina Costruzioni resumed the case in the Court of Appeal within the time limit. In the event that A2A S.p.A.’s claim for the nullity of the award is upheld and the Court makes a new decision on the merits of the dispute, by way of a conditional cross-appeal, Pessina has also made a claim for damages in the amount originally requested and greater than the amount recognized by the award in application of the principle of fairness; for both cases, the Court of Appeal has set May 22, 2024 as the first hearing.

The Group, having already complied with the award and in view of the stage of the proceedings, has not set aside any provisions as of today.

Derivations of public water for the production of hydroelectricity

A2A S.p.A. (“A2A”) and the subsidiary Linea Green S.p.A. (“LG”) challenged the Lombardy Region’s measures concerning the exercise of large hydroelectric concessions after their expiry, on the grounds that they were contrary to the pro tempore legal framework. For A2A, of significance are the concessions in Grosotto, Lovero, Stazzona, Grosio and Premadio I; for LG, the Resio concession.

With particular reference to the imposition of additional fees on expired concessions, the companies contested Regional Council Resolution no. 5130/2016, which quantified the additional fee as 20 euro/kW of nominal power. The Court of Cassation recently ruled (February 2024, Ordinances nos. 4800 and 4382) unfavorable to A2A and LG, recognizing the legitimacy of the provisional tariff identified by the aforementioned Regional Council Resolution. The relevant amounts had, however, been fully provisioned as a matter of prudence.

A2A also contested - as contrary to the pro-tempore regulations in force - the annulment of the partial exemption of the State fee ordered by the Lombardy Region for the expired concessions that benefited from it. The Court of Cassation dismissed the appeals relating to the Premadio I (Sent. no. 15990/2020) and Grosio (Ordinance no. 4371/2024) concessions, while the judgments are still pending relating to the Lovero and Stazzona concessions, in which A2A obtained favorable second instance rulings (Superior Court of Public Waters (TSAP) sentences no. 171/2023 and 2/2024), which were challenged in Cassation by the Region.

Also in Lombardy, imposed, in alleged implementation of art. 12 of Legislative Decree 79/1999 as amended by Law 12/2019, was the free transfer of electricity, in monetized form (220 kWh per kW of nominal power). The relevant measures were challenged by A2A and LG. With regard to expired concessions, following negative rulings by the TSAP (no. 203/2022), appeals before the Supreme Court of Cassation are pending. For concessions that have not yet expired, the Judge has not yet ruled on the merits, as the definition of jurisdiction is still disputed. The Lombardy Region also requested, in alleged implementation of art. 12 of Legislative Decree 79/1999, the payment of the State fee so-called Binomio, consisting of a fixed and a variable component. A2A and LG have filed appeals before the TSAP, and the judgments are still pending.

In Friuli-Venezia Giulia, A2A holds concessions in force until 2029. Similarly to Lombardy, a judgment against the imposition of the free energy transfer was initiated, which is still pending at the TSAP on appeal, after a negative first instance sentence (Venice Regional Court of Public Waters sentence no. 2006/2023). An action was also brought against the imposition of the state fee so-called Binomio, still pending at TSAP.

For all disputes relating to hydroelectric fees and assimilated charges, the companies have prudently set aside a provision for risks for the entire amount claimed by the granting public administration.

A2A Energiefuture S.p.A.

Monfalcone Plant Investigation (RGNR 195/17 and then RG Tribunal 492/2023 Public Prosecutor of Gorizia)

On March 8 and 9, 2017, following orders of the Public Prosecutor of Gorizia, the Monfalcone Plant of A2A Energiefuture S.p.A. was inspected during which surveys and samplings (on coal in stock, on the ashes, on fume treatment residues, emissions from the chimney) and documentary acquisitions (on the servers of the emissions monitoring system, on fuel analysis forms, etc.) were performed. On the same date, the guarantee information has been notified to three employees, regarding an investigation for the offences referred to in Article 452 bis of the Italian Criminal Code. Environmental pollution. The suspect employees appointed trusted defenders.

Subsequently, between December 2017 and January 2018, and then in December 2018 and July 2020, the Public Prosecutor of Gorizia proceeded with the acquisition of additional documentation at the plant.

On May 6, 2021 (and subsequently on June 4, 2021), the defenders of the former head of the plant (but not the other two employees who had received information of guarantee) were notified of the conclusion of the preliminary investigation pursuant to article 415 bis of the code of criminal procedure in relation to the crime of environmental disaster pursuant to article 452 quater, paragraph 1, no. 2 and paragraph 2 of the Criminal Code. From the same notification, it emerged that the company is charged with the offence referred to in article 25 undecies, paragraph 1, letter b), in relation to article 5, paragraph 1, letter a) of Legislative Decree 231/01.

In said notice of conclusion of the investigations, it was contested that the seabed in the area in front of the power plant quay has been compromised by coal run-off, the air has been compromised by emissions from the power plant and the balance of the ecosystem has been altered by contamination with heavy metals. A similar notice was served on May 10, 2021 at the Monfalcone power plant.

On July 29, 2021, the defense attorney of the former head of the plant was served with a decree scheduling a preliminary hearing for November 24, 2021 before the Preliminary Investigation Judge (GIP) of Gorizia.

At the hearing of November 24, 2021, the Company's lawyer raised a preliminary objection of the nullity of the notice pursuant to article 415-bis of the Code of Criminal Procedure of the conclusion of the preliminary investigations since not duly notified. The exception was upheld by the Judge who referred the case back to the Public Prosecutor's Office so that it could serve a new notice of conclusion of the preliminary investigations. As a result of this decision, the trial regressed to the preliminary investigation stage.

On July 1, 2022, a new notice pursuant to article 415 bis of the Code of Criminal Procedure of the conclusion of preliminary investigations was served on the defense counsel of the former head of the plant and on the defense counsel of the company. The new notice no longer contemplates the offence referred to in article 452 quater of the Criminal Code, i.e. environmental disaster, but rather that referred to in articles 452 bis and 452 quinquies of the Criminal Code, i.e. environmental pollution/unintentional crimes against the environment. Consequently, by virtue of the new and different predicate offences referred to by the Public Prosecutor, the charge against the company in relation to administrative liability has also been amended, which now concerns the offence referred to in article 25 undecies, paragraph 1(a) and (c) of Legislative Decree 231/01.

On April 17, 2023, both the natural person and the company, albeit with some formal flaws, were served with the notice of the pre-trial hearing on October 31, 2023.

At that hearing, the Company asserted the notification flaws and the judge decided to renew the notification to the entity only and to continue the two proceedings against a natural person and a legal person as one. Therefore, a new pre-trial hearing was scheduled, which was first discussed on March 5, 2024 and will continue on March 12, 2024.

Linea Ambiente S.r.l. – Grottaglie landfill

Court of Taranto - Criminal Proceeding RGNR 2785/18

On March 14, 2019, an employee of A2A Ambiente S.p.A., seconded to Linea Ambiente S.r.l. as the company's Chief Operating Officer, was remanded in custody as part of investigations into the offences referred to in articles 319 and 321 of the Italian Criminal Code with reference to an alleged bribery connected with the issue of Executive Decision no. 45 dated April 5, 2018 by the Province of Taranto for the orographic optimization of the Linea Ambiente S.r.l.'s Grottaglie landfill.

On August 1, 2019, the Court of Taranto - Office of the Judge for Preliminary Investigation - at the request of the Prosecutor's Office, ordered the immediate trial, i.e. without a preliminary hearing being held, of the defendants subject to pre-trial custody, including the employee of A2A Ambiente, against whom the measure of pre-trial custody in prison was replaced by house arrest and, subsequently, with the obligation to stay in the municipality of residence and, finally, with the prohibition of residence in the province of Taranto (even this last measure was later revoked by order of January 24, 2022), setting the first hearing for this purpose on November 4, 2019. The trial ended with the reading of the verdict at the hearing on November 16, 2022. On May 15, 2023, Ruling 3459/2022 was filed.

The A2A Ambiente employee was sentenced to 8 years plus disqualification penalties. No confiscation measure was ordered against the employee; confiscation was ordered against another defendant and part of this amount is ascribed as partial consideration for the adoption of Determination No. 45 of April 5, 2018.

Taranto Court of Appeal 515/2023 R.G. App.

The first hearing before the Court of Appeal for the discussion of all appeals notified by the defendants natural persons and the Public Prosecutor is set for May 14, 2024.

The Public Prosecutor appealed the first instance ruling on the failure to confiscate from the defendants natural persons the criminal profit amounting to 20,304,974.88 euro (indicated in the seizure order of May 18, 2021). Therefore, no judgement was formed on the point of refusal of confiscation and the Court of Appeal will have to decide whether to confirm or reform the ruling of the Court of Taranto.

The Court of Appeal, at the first hearing on February 21, 2024, due to profiles related to the composition of the Board, adjourned the case without hearing to a new Board at the hearing of May 14, 2024.

Court of Taranto no. 5400/19 R.G. Administrative Responsibility

Precautionary measures

On May 7, 2020, the Guardia di Finanza notified Linea Ambiente S.r.l. of a preventive seizure order issued by the GIP of Taranto on March 12, 2020 in the context of Proceedings no. 2785/18 R.G.N.R. and 5400/19 R.G. Admin. Resp. and deed of execution of preventive seizure pursuant to art. 53 of Legislative Decree 231/01, also valid as guarantee information pursuant to art. 369 of the Italian Criminal Code.

For the first time, Linea Ambiente was informed of the existence of Criminal Proceedings no. 5400/19 R.G. Admin. Resp. of Entities for bribery offences pursuant to article 25, paragraph 2, of Legislative Decree 231/01.

The preventive seizure, on May 7, 2020, was arranged up to the amount of 26,273,298 euro (equal to the presumed profit of the offence). On May 13, 2020 was the notification of appointment of a judicial administrator of the assets seized, including company shares and receivables.

On May 21, 2020, Linea Ambiente proposed a request for review of the seizure order, which was discussed in the Council Chamber on June 9, 2020, and rejected. The cautionary requests have been confirmed.

On June 11, 2020, a decree releasing the Linea Ambiente portions was notified. On September 10, 2020, the company was notified of the conclusion of the preliminary investigations pursuant to article 415-bis of the Code of Criminal Procedure. The notification was repeated, with partial changes, on January 21, 2021. On January 21, 2021, the Taranto Public Prosecutor's Office notified the defense lawyer of Linea Ambiente of an order to release and return 95.004% of the shares in Lomellina Energia held by Linea Ambiente and already placed under preventive seizure. This was done on the basis of a new estimate of the value of the shares made by the judicial administrator and on the fact that after the seizures made by the Guardia di Finanza there remained sums equal to about 5% the value of said shares.

On May 18, 2021, the Taranto Preliminary Investigation Judge (GIP), following the annulment by the Supreme Court of the preventive seizure order notified on May 7, 2020, issued a new preventive seizure order recalculating the "profit from the crime" as 20,304,974.88 euro (compared to the previous amount of 26,273,298.13 euro) by subtracting the "out-of-pocket costs" incurred by Linea Ambiente and quantified as 5,968,323.25 euro. In fact, the Supreme Court found that the original determination was erroneous of the alleged profit, identified by the Judge for Preliminary

Investigation in the gross revenue that Linea Ambiente would have derived as a result of the landfill contributions made in the period April 2018 - February 2019, for a total amount of 26,273,398.13 euro. Consequently, the Supreme Court ordered the annulment of the decree and the return of the acts to the GIP of Taranto to comply with the principles of law dictated by the Supreme Court, according to which the profit is only the advantage of immediate and direct causal derivation of the crime. In the new seizure order notified on May 18, 2021, however, according to the Linea Ambiente defense, this principle was again disregarded and therefore on May 27, 2021, an appeal was filed with the Supreme Court against the same, requesting its cancellation. At the hearing on November 10, 2021, the Court declared the appeal inadmissible due to lack of standing because, according to the Court of Cassation, Linea Ambiente should not have been considered as a party to the committal proceedings opened with the sentence of annulment pronounced by the Court of Cassation on the appeal brought by the company's former Operating Director (in other words, according to the Court of Cassation, the judge of the Taranto Magistrate's Court, as judge of the committal, could have ruled only against the original appellant, i.e. the former Operating Director, and not also against the other parties affected by the original decree).

On June 29, 2021, the Linea Ambiente counsel was re-notified of the preventive seizure order issued on May 18, 2021 by the GIP and the minutes of the execution of the same by which it was ordered to release and return to Linea Ambiente 3.352% of the shares held by it in the company Lomellina Energia for an estimated value (by the Judicial Administrator) of 1,617,284.96 euro. In May 2021, the Group complied with the request of the Judicial Administrator to pay the amounts seized up to the amount of 14 million euro. Subsequently, with a measure notified on March 14, 2022, granting the petition filed by the company, the GIP of Taranto ordered that the preventive seizure of Linea Ambiente's shareholding in Lomellina Energia still under seizure (1.644 %) be transferred to the corresponding sum of money (equal to 793,164.55 euro) to be paid to the indicated account. Once this payment had been made, in execution of the said decree, on May 17, 2022 the Guardia di Finanza released from seizure and returned to Linea Ambiente the 1.644 % of the shares it held in Lomellina Energia that had already been seized.

The proceedings of merit

On March 18, 2021, the Linea Ambiente S.r.l. counsel was served with the notice of the preliminary hearing scheduled for June 10, 2021 before the Taranto Preliminary Hearings Judge. In this preliminary hearing, the Municipality of Grottaglie filed a request to join the civil action. At the subsequent hearing on July 22, 2021, the defense of Linea Ambiente S.r.l. objected to the inadmissibility of the civil action of the Municipality of Grottaglie against Linea Ambiente S.r.l.. The Preliminary Hearings Judge (GUP) accepted the objection and consequently declared the inadmissibility of the constitution of a civil party of the Municipality of Grottaglie, also rejecting the request of the latter, carried out in the alternative, to authorize the summons of the company as civil liable party, postponing the proceeding to November 11, 2021 for the continuation of the preliminary hearing. At this hearing, the defense raised a number of preliminary issues and the Judge granted time to respond and adjourned the hearing until January 20, 2022. At the hearing on January 20, 2022, the judge rejected the preliminary objections and adjourned the hearing on March 31, 2022, then to May 31, 2022, for a decision on the preliminary motions; at that hearing, due to the impediment of the Magistrate's Court judge, an adjournment to September 29, 2022 was ordered; at the subsequent hearing on November 17, 2022, the parties requested an adjournment to acquire the conclusions of the proceedings against the natural persons and a new schedule was set. At the hearing of December 22, 2022, the Public Prosecutor delivered their conclusions with a request for committal for trial against the entity, setting the subsequent hearings for the conclusions of the other parties for January 19 and 26 and February 2, 2023; a new hearing was then set for March 30, 2023 for the Public Prosecutor's replies and possible taking of decisions on jurisdiction by the Judge.

At the hearing on March 30, scheduled for the replies of the Public Prosecutor, after activities connected to another defendant, the Judge again ordered a postponement to April 6, 2023, a hearing in which the Preliminary Hearing Judge at the Court of Taranto, Ms Misserini, ordered committal for trial of Linea Ambiente, pursuant to Legislative Decree 231 of 2001, and of all the other defendants in the proceedings in question, natural and legal persons, before the Court of Taranto in collegial composition - 1st criminal section, for September 13, 2023.

Several hearings have taken place since September 13, 2023, all of which have been postponed due to the incompatibility of some of the members of the board. After the reading at the hearing of February 12, 2024 of the order of the President of the Court concerning the composition of the new board, the Court set a first hearing for March 4, 2024 at which it decided on the constitution of the civil parties, accepted by ordinance a request of the Public Prosecutor to clarify one of the charges, and set a new hearing for October 7, 2024 for the examination of preliminary issues.

The risk assessment considers multiple concomitant factors such as: (i) the committal for trial of the Company in Proceeding no. 5400/19 R.G. Head Admin.; (ii) the content of ruling 3459/2022 and the already intervened fixing of the first hearing of the relative appeal ruling; (iii) the appeal lodged by the Public Prosecutor against Ruling 3459/2022 that had rejected the request for confiscation; (iv) the new value of the sum determined in the seizure decree notified on May 18, 2021 as profit deriving from the hypothetical predicate offence. In fact, in the event of conviction of the Company, the confiscation of the price or profit of the offence is provided for.

At present, in light of the events that occurred during 2023, the company considers the risk of confiscation likely, even though the first instance ruling is not expected before 2025.

Linea Ambiente vs.Province of Taranto – Grottaglie Landfill

In January 2021 (with reiteration in February 2022), the Province of Taranto sent a warning notice for the removal of the waste dumped during the period of validity of DD 45/18, which also constitutes a response to the requests that the company had made in previous years regarding the procedures for fulfilling the obligations resulting from the Sentence of the Council of State no. 5985/2019, which had annulled the substantial variation no. 45/2018. The Province, according to as stated in the meagre communication of 2021, which does not give evidence of the provincial inquiry, does not open the required authorization procedure and indicates to the company: (i) to remove the waste delivered in excess of the authorized quantities, (ii) to restore the landfill profiles in accordance with authorization 426/08 and (iii) to activate the closure activities.

On February 9, 2021, Linea Ambiente met with the Province, expressly reserving the right to challenge the warning, in order to outline a technical path necessary to take appropriate action; in particular, the company illustrated a preliminary investigation path from which all possible solutions could emerge, including a new request for a substantial variant of the current authorization in line with Council of State Sentence 5986/2019.

In view of the flaws in the deed, the company appealed to the Apulia Regional Administrative Court to have the warning cancelled and notified additional grounds against the February 2022 communication; a hearing on the merits has not yet been scheduled.

A change in the administrative structure with possible effects also on the warning order will result from the outcome of the new procedural phase that began with the submission of the request for the issuance of the Single Authorization Order by the company during 2023.

The Group has set aside an adequate provision to cover any risk.

Lecce Public Prosecutor's Office - Criminal Proceeding no. 6369/2019 R.G.N.R.

On February 26, 2020, at the Rovato headquarters of Linea Ambiente S.r.l., the Brescia Finance Police executed the "Search and Seizure Warrant" issued on February 5, 2020 by the Lecce Public Prosecutor's Office (Public Prosecutor Mignone) in relation to criminal proceedings no. 6369/2019 R.G.N.R..

The Finance Police then acquired a copy of the company's Organisational Model and the deeds and documents relating to the information flows destined for the Linea Ambiente S.r.l. Supervisory Body from November 2014 to January 2019.

The criminal proceedings have been filed against the company Linea Ambiente S.r.l. and the legal representative pro tempore for the offences referred to in articles 452 quaterdecies of the Italian Criminal Code (activities organized for the illicit waste trafficking) and 256 and paragraphs 1 and 3 of Legislative Decree 152/2006 (respectively waste collection, transport and disposal activities in the absence of the prescribed authorization/registration and the construction and management of unauthorized landfills) from which the company's administrative liability derives pursuant to articles 24 and 25 undecies of Legislative Decree 231/2001 and this - the said measure states - "in order to have, with several operations and through the setting up of continuous and organized means and activities, managed and illegally disposed of large quantities of urban waste, creating an illegal landfill, in order to obtain an unfair profit". These alleged offences were supposedly committed in "Rome and Grottaglie from November 1, 2014 to January 28, 2019 with permanence".

Together with the “Search and Seizure Warrant”, the Finance Police notified the company “Guarantee and on the right of defense information”, from which it emerges that the company AMA S.p.A. of Rome, “owner of the TMB Rocca Cencia and Salario plants in Rome”, was also entered in the same proceedings.

The company has been informed that individuals who are legal representatives or directors of Linea Ambiente S.r.l. and AMA S.p.A. during the interested period have received only a first request to extend the preliminary investigations in the same proceedings.

Amsa S.p.A.

Milan Public Prosecutor’s Office - Criminal Proceeding no. 33490/16 R.G.N.R. - 43494/19 R.G.N.R. – 27023/19 RGGIP 7485/2021 R.G. DIP

On May 7, 2019, the Carabinieri investigative unit of Monza showed up at the Amsa S.p.A. headquarters to notify an order for the exhibition of documents issued by the Milan Public Prosecutor’s Office, relating to the documentation concerning three tenders launched by Amsa S.p.A. in 2017-2018, as well as the supplies made to it by a specific supplier. In relation to these proceedings, the Company’s Chief Operating Officer and other employees were investigated, as well as three members of a tender judging committee issued by Amsa S.p.A..

No dispute has been raised against Amsa S.p.A. on the basis of the regulations on the administrative liability of legal persons, as Amsa S.p.A. considers itself to be an “injured party” and, in fact, has filed a complaint with the Public Prosecutor’s Office through a trusted lawyer.

On December 23, 2019, lawyer of Amsa - as the injured party - was served notice for the setting of the preliminary hearing on February 17, 2020. As a result of this hearing, the Judge for Preliminary Investigation adjourned the hearing to May 25, 2020, setting a provisional schedule for its continuation. The measure in question does not cover the members of the tender committee, whose position has been withdrawn and closed. Filed as civil parties were Amsa S.p.A. and A2A Calore & Servizi S.r.l., as it was found to be an injured party in the same proceedings in relation to agreements made to its detriment by some companies competing in the district heating installation tenders, which tended to distort free competition.

On January 18, 2021, the lawyer of Amsa S.p.A. was served notice of the setting of the preliminary hearing relating to the second line of investigation, registered under number 34213/19 R.G.N.R. - 21296/19 R.G.I.P. connected to the first. The preliminary hearing of this second matter was set for March 19, 2021 for the joining of the proceedings.

Amsa also filed as civil party against some of the defendants and in respect of certain allegations in connection with this additional matter. The trial underwent a series of postponements and the discussion of the preliminary hearing ended at the hearing on July 15, 2021 in which the defendants were sent for trial and the first hearing was set for November 18, 2021. At the hearing of July 8, 2021, at the conclusion of the reconnaissance on the requests for alternative rites, the Judge also set the calendar for the treatment of alternative rites, scheduling numerous hearings between September and October 2021.

At the hearing of October 21, 2021, set for the decision on alternative procedures, the Judge, as regards the positions of interest to AMSA, accepted the plea bargains requested by pronouncing a sentence of application of the penalty, while for a defendant who had requested an abbreviated trial, it pronounced a sentence of acquittal.

At the hearing on November 18, 2021, the preliminary issues raised by the defense of the defendants on remand were discussed; at the end of the hearing, the Court reserved its decision and adjourned the proceedings until the hearing on December 10, 2021. At this hearing the Court, in order to withdraw its reservation, rejected the objections raised by the defense and then opened the hearing, inviting the parties to formulate their preliminary requests, on which it reserved the right to decide, adjourning the hearing until January 14, 2022. At this hearing, the Court granted the preliminary investigations, admitted the testimonial and documentary evidence requested and ordered the transcription of telephone and environmental interceptions. The case was postponed to March 14, 2022 for the commencement of the pre-trial investigation, and several hearings for the hearing of witnesses were scheduled until October 2, 2023, which will also include the reading of the ruling. At the hearing on May 15, 2023, the Public Prosecutor formulated the related requests for conviction.

At the hearing on October 2, 2023, the Court filed the operative part of the ruling in which all persons still subject to ordinary trial responsible for the conduct to the detriment of the two companies that had joined the civil action were acquitted because the fact did not exist.

Sentence 13661/2023 of October 2, 2023 with reasons was filed on January 18, 2024. Appeals have been lodged; the companies are considering the related contents.

Linea Green S.p.A.

Brescia Public Prosecutor's Office - Criminal Proceeding no. 3891/2020 R.G.N.R.

On September 22, 2020, the person in charge of the technical and operational management of the Isola hydroelectric plant on the Grigna stream in Barzio Inferiore was notified of a request for an extension of the preliminary investigation. The interested party thus learned of the existence of investigations involving the latter in relation to an alleged crime of environmental pollution in conjunction with the legal representative of the company that owns the plant, which does not belong to Linea Green, but to a third company with which Linea Green has signed a management contract.

Subsequently, on March 26, 2021, the Carabinieri from the Forestry Department appeared at the Linea Green offices to acquire documentation and, on that occasion, invited the company's legal representative to appoint a lawyer for the company, since, as shown in the report notified, it was "under investigation for the administrative offence depending on the crime referred to in article 25 undecies paragraph 1 letter a) of Legislative Decree 231/01", i.e. in relation to the offence of environmental pollution referred to in article 452 bis of the Criminal Code.

There are no reports of any developments.

Acinque S.p.A. (formerly ACSM-AGAM S.p.A.)

Acinque S.p.A. (formerly ACSM-AGAM S.p.A.) and Acinque Ambiente S.r.l. (formerly Acsm Agam Ambiente S.r.l.): lawsuit for damages against the Municipality of Varese regarding the municipal sanitation concession

Acinque S.p.A. (formerly ACSM-AGAM S.p.A.) and Acinque Ambiente S.r.l. (formerly ACSM-AGAM S.p.A.), in 2020, filed a lawsuit with the Special Business Court of Milan seeking a declaration of contractual and non-contractual non-fulfilment by the Municipality of Varese, with a consequent order for damages. The Municipality of Varese caused direct damage to the assets of the Acinque Group (formerly ACSM-AGAM) by ordering the early termination of the service contract signed with Acinque Ambiente S.r.l. (formerly Acsm Agam Ambiente S.r.l.). Acinque Ambiente S.r.l. (formerly Acsm Agam Ambiente S.r.l.) in fact reduced the income flows connected to the contract and bore unforeseen and otherwise avoidable charges for the transitory

continuation of the contract at more onerous conditions and Acinque S.p.A. (formerly ACSM-AGAM S.p.A.) suffered a significant reduction in the value of the subsidiary's equity investment, despite and after the signing of the Framework Agreement that characterized the extraordinary transaction in 2018. After the order of the Court of Milan of January 20, 2022 declaring the lack of jurisdiction of the Court of Milan and the jurisdiction of the ordinary Court of Varese, the Companies resumed the proceedings before the Court of Varese. Following the first hearing on September 20, 2022, the Company requested the admission of witness evidence, a request to which the Municipality of Varese objected. The Judge retained the case for decision, and after the filing of closing statements on October 10, 2023 for closing arguments and October 30, 2023 for reply briefs. On February 27, 2024, the filing was announced of the sentence declaring inadmissible the action of Acinque S.p.A. (formerly ACSM-AGAM S.p.A.) and rejecting the requests for compensation of Acinque Ambiente S.r.l. (formerly Acsm Agam Ambiente S.r.l.). The companies will take the corresponding decisions.

AEB S.p.A.

Monza Public Prosecutor's Office - Criminal Proceeding no. 1931/2021 R.G.N.R.

On July 5, 2021, officers and agents of the Guardia di Finanza of Seregno showed up at the headquarters of AEB S.p.A. in Seregno to execute "personal and local search orders" and "request for delivery - local search order". The proceedings, which in the initial phase was against unknown persons, arise from two complaints presented to the Prosecutor's Office of Monza on November 25, 2019 and on February 10, 2020 by Tiziano Mariani, at the time Municipal Councillor of the Municipality of Seregno, who also filed an appeal with the TAR, now concluded.

The "personal and local search decree", which also contains the "guarantee information" pursuant to art. 369 Criminal Procedure Code to the person subjected to the investigation, concerned the Chair of the Board of Directors of AEB

S.p.A. investigated, jointly with other persons not indicated, for the crimes referred to in the art. 353 bis Criminal Code (disturbance of the freedom of the procedure for choosing a contractor), 319 Criminal Code (bribery for an act contrary to the duties of office), 321 Criminal Code (penalties for the briber), committed between "October 2019 and in present permanency."

At the same time, AEB was served with a "request for delivery and a local search decree" with which the Monza Prosecutor's Office ordered the acquisition of documentation concerning the transaction.

Subsequently, on September 24, 2021, the Finance Police of Seregno, delegated by the Monza Prosecutor's Office, appeared at the A2A Milan headquarters to serve, as part of Procedure no. 1931/2021 R.G.N.R. relating to the merger between the A2A and AEB Groups, a notice of non-repeatable technical checks on the IT supports previously seized.

From the document in question, it emerged that the proceedings were pending not only against certain persons outside the A2A Group, but also against certain persons, other than the current directors of A2A S.p.A., who at the time of the events held positions in A2A S.p.A., Unareti S.p.A. and A2A Illuminazione pubblica S.r.l. in various capacities involved in the project in question. The notice of non-repeatable technical investigations also contained information on guarantees and the right of defense in relation to the investigation concerning the alleged offences under Articles 110 Criminal Code (conspiracy), 353 bis Criminal Code (disturbance of the freedom of the procedure for choosing a contractor), 319 Criminal Code (bribery for an act contrary to the duties of office), 321 Criminal Code (penalties for the corruptor).

On July 5, 2023, the notice of conclusion of the preliminary investigation was served on only some of the natural persons subject to the notice of investigation, which was, moreover, announced in a press release issued by the Monza Prosecutor's Office on July 7, 2023.

As far as A2A is concerned, the notice was served on only one of the original addressees of the guarantee notice.

It appears from the notice that the alleged offences are different from those set out in the previous acts and relate to violations of Articles 353bis Criminal Code (Disturbance of the freedom of the procedure for choosing a contractor), and article 353 of the Criminal Code (Disturbance of the freedom of auctions).

On November 22, 2023, the Monza Prosecutor's Office issued a new press release announcing that it had filed a request for committal for trial against the same persons reached by the notice of conclusion of July 5, 2023 and for the aforementioned offences.

The preliminary hearing before the Preliminary Hearing Judge at the Court of Monza was set for April 5, 2024.

A2A Ambiente S.p.A.

Busto Arsizio Public Prosecutor's Office - Criminal Proceeding no. 9079/2021 R.G.N.R. (formerly no. 24/2017 R.G.N.R.)

On February 18, 2021, the Carabinieri - forestry department showed up at the Gerenzano landfill site in execution of investigation activities delegated by the Public Prosecutor's Office of Busto Arsizio within the framework of criminal proceeding no. 24/2017 R.G.N.R. Form 44 (i.e. against unknown persons), to acquire documentation on the plant, then notifying the person in charge of the plant and the head of A2A Ambiente's "Impianti Lombardia" organizational structure of the proceedings for the alleged offences under articles 81 paragraph 2 (continuation), 110 (conspiracy), 452 quater (environmental disaster), 452 septies (obstruction of control) of the Italian Criminal Code.

Gerenzano is a former quarry, later converted into a landfill, located in the territory of the municipality of the same name, which owns it, with an area of about 80 hectares. It is divided into two lots Gerenzano 1 and Gerenzano 2.

Gerenzano 1 is the original unit, dating back to the mid-1960s when waste disposal activities began. At the end of the 1970s, 200 municipalities, including Milan, delivered waste there. In July 1980, the Municipality of Gerenzano and the municipal company of the Municipality of Milan (then AMNU) signed an agreement whereby AMNU exclusively took over the management of the landfill of waste from the Municipality of Milan and 69 other municipalities.

AMNU then built a new controlled landfill and carried out environmental remediation and restoration works (with regional contributions).

The cultivation of Gerenzano 1 by AMNU, later to become AMSA, continued until its final closure in 1988. A new area was then identified where Gerenzano 2 was built and managed by AMSA from 1989 to 1991, the year in which conferring ceased.

In the context of the obligations taken on with the management of the landfill for environmental recovery, AMSA carried out a series of interventions including the impermeable cover, the biogas collection and combustion plant, weir wells and groundwater purging, the treatment plant for emitted groundwater, leachate collection works, a leachate purifier, and environmental recovery interventions.

The operation of the plants in application of the authorization measures will have to continue until the waste is mineralized, as far as biogas is concerned, and until the water table is back in good condition, as far as purging wells are concerned.

As regards the latter activity, AMSA took responsibility for a situation of degradation and pollution that existed prior to its taking over the management of the area, in relation to which it had no responsibility. In 2013, as part of the reorganization of the A2A Group's environmental chain, A2A Ambiente took over from AMSA in the management of the Gerenzano landfill and in the service contract still in force as a result of technical extensions with the Municipality of Milan for the post-mortem management service of the landfill.

On July 1, 2022, the conclusion of the preliminary investigations pursuant to article 415-bis of the Code of Criminal Procedure was notified.

In the notice, the person in charge (at the time of the contested facts, i.e. from May 29, 2015 to November 13, 2020) of the Gerenzano Hub and the person in charge of the "Lombardy Plants" structure (the latter in current permanence) are charged with having caused an environmental disaster in the management of the plant (article 452 quater of the Criminal Code) by means of an unlawful dysfunction of the purification plant of the groundwater emitted by means of a hydraulic barrier so as not to carry out the containment of the contamination of the water table and by means of an unlawful dysfunction of the purification plant for the treatment of the polluting fluids before their discharge into the Bozzente stream and of having obstructed and eluded the environmental supervision and control activities by ARPA (article 452 septies Criminal Code from May 29, 2015 permanently for the person in charge of the facility and from November 21, 2016 for the person in charge of the Hub).

No charges against the company under Legislative Decree 231/01 appear in the notice of conclusion of investigations. On November 10, 2022, the decree was served setting March 2, 2023 as the date of the preliminary hearing. At the preliminary hearing, the defense counsel objected to the nullity of the request for committal for trial due to flaws in the notification of the notice of conclusion of the preliminary investigation. The Preliminary Hearings Judge upheld and ordered the return of the documents to the Public Prosecutor, who served a new notice of conclusion of the preliminary investigation a few days later.

At the hearing on February 1, 2024 called to decide on the plea bargaining request made by one of the two individuals, the Preliminary Hearings Judge did not accept it and referred the case back to the Public Prosecutor due to the tenuousness of the agreed penalty.

Measures are still awaited concerning the other natural person for whom the Public Prosecutor asked the Preliminary Hearing Judge to dismiss the case and the legal person against whom preliminary investigations are still pending.

* * *

The following information is provided in connection with the main litigation of a fiscal nature.

A2A gencogas S.p.A. (formerly Abruzzoenergia S.p.A.) - General IRES/IRAP/VAT audit for fiscal years 2014 and 2015

On January 19, 2016, the Finance Police - Chieti Unit commenced a general audit of A2A gencogas S.p.A. (formerly Abruzzoenergia S.p.A.) for fiscal years 2014 and 2015 for IRES, IREP and VAT purposes. This audit was completed on May 25, 2016. The company submitted comments to the formal notice of assessment by the inspectors. In December 2016, the Revenue Agency of Chieti issued notices of assessment for IRES, IRAP and VAT for the years 2011 and 2012 and, in August 2017, served notices of assessment for IRES, IRAP and VAT for the years 2013 and 2014. The company has proposed a timely appeal against all the deeds notified. The Provincial Tax Commission of Chieti and the Regional Tax Commission of Pescara issued unfavorable rulings for IRES and IRAP. The appeals against the VAT assessment notices for the years 2011-2014 were rejected by the Provincial Tax Commission of Chieti and upheld by the Regional Tax Commission of Pescara. On May 8, 2019, the Company filed an appeal with the Supreme Court for IRES 2011 and 2012. In February 2020, the Company filed an appeal with the Supreme Court for IRES 2013 and 2014 and IRAP 2011-

2014 and a counter-appeal with the Supreme Court for VAT 2011 and 2012. On May 5, 2020, the Company filed a counter-appeal with the Supreme Court for 2013-2014 VAT. A risk provision of 2 million euro has been recognized.

A2A S.p.A. - Registration tax for transfer of business unit and sale of the investment Chi.na.co. S.r.l.

On April 4, 2016, the Provincial Directorate I of Milan - Regional Office of Milan 1 - notified the invitation to appear to provide clarifications on a business transfer in the company Chi.na.co. S.r.l. and the subsequent sale of the investment held in it under control for registration tax purposes. The invitation was followed by a contradictory with the Office and subsequent notification by the latter of the notice of liquidation to the acquiring counterparty, which filed an appeal on September 28, 2016. The Provincial Tax Commission of Milan rejected the appeal with sentence filed on July 07, 2017. On February 13, 2018, the acquiring company filed an appeal, which was rejected by the Milan Regional Administrative Court. On April 8, 2019, the Company filed an appeal with the Supreme Court. On February 21, 2020, the Office filed a counter-appeal and a cross-appeal with the Supreme Court. The risks provision recognized for 1.4 million euro was fully used for the payment of the amounts requested with the liquidation notice.

A2A S.p.A. (merging company of AMSA Holding S.p.A.) - VAT Tax assessments for tax years from 2001 to 2005

In early 2006, the Italian Finance Police – Lombardy Regional Unit, Milan – carried out a tax audit of AMSA Holding S.p.A. (now A2A S.p.A.) for VAT purposes for tax years 2001 to 2005.

The audit ended with the issue of a final report contesting the legitimacy of the ordinary VAT rate, in place of the special rate applied by suppliers for waste disposal and plant maintenance, as well as the subsequent deduction made after the invoices issued for these services were duly paid.

The report was followed by formal notices of assessment from the Tax Revenue Office (Milan 3 Office) for each year audited; appeals were then filed with the Provincial Tax Commission within the term provided by law.

The appeals for 2001 and for 2004 and 2005 were discussed on January 25, 2010 and on February 17, 2010 respectively, with a favorable outcome for the company in all cases. The Tax Revenue Office appealed against the verdict of the first court. The Regional Tax Commission rejected this appeal for all three years, 2001, 2004 and 2005.

For 2001, the Tax Revenue Office filed an appeal with the Supreme Court against which AMSA Holding S.p.A. (now A2A S.p.A.), filed a cross-appeal on November 9, 2012. At the hearing on December 12, 2018, the Company requested that the case be suspended in order to assess the facilitated settlement of the dispute. On May 24, 2019, the company filed an application for a facilitated settlement of pending tax disputes and definitively settled its tax claim.

The outcomes of the 2002 and 2003 disputes were also favorable for the company but the Tax Revenue Office filed an appeal against both sentences. The appeal for 2002 was discussed on November 30, 2010, and by way of a sentence lodged on February 2, 2011 the Milan Regional Tax Commission overturned the sentence of the first court, upholding the Tax Revenue Office's appeal on almost all counts with the exception of the hazardous waste category. The Company filed an appeal with the Supreme Court for 2002. The hearing was held on December 12, 2018 and the appeal was upheld and the judgement was adjourned to the Regional Technical Committee (CTR). On December 23, 2019, the Company filed an appeal for reinstatement in CTR and an appeal for revocation with the Supreme Court. For 2003 the appeal made by the Tax Revenue Office was discussed on November 7, 2011 before the Regional Tax Commission which rejected it with a sentence filed on November 11, 2011. The Tax Revenue Office has not appealed to the Supreme Court for 2003, 2004 and 2005 and the sentence has become final, thereby closing the litigation.

No provisions for risks have been recognized.

A2A Ciclo Idrico S.p.A. – IMU assessment notices of Municipality of Montichiari for the years 2013-2018

On December 4, 2019, the Municipality of Montichiari (BS) issued notices of assessment for IMU purposes for the years from 2013 to 2018 regarding the purification plant located in the territory of the same municipality. On January 29, 2020, the Company filed an appeal with the Provincial Tax Commission, which rejected the appeal. On November 22, 2022, the company filed an appeal and a hearing is pending. A risk provision of 0.7 million euro has been recognized.

A2A Energia S.p.A. merging company of Linea Più S.p.A. - General IRES/IRAP/VAT audit for fiscal years 2013 and 2014

On September 17, 2019 the Lombardy Regional Department - Large Taxpayers Section - opened in respect of A2A Energia S.p.A. (merging company of Linea Più S.p.A.) a general audit for IRES, IRAP and VAT purposes for tax periods 2013 and 2014. This audit was completed on October 22, 2019. On December 24, 2019, the Lombardy Regional Department issued notices of assessment for IRES, ROBIN TAX, IRAP and VAT purposes for the tax periods verified. On July 24, 2020, the Company appealed against all the assessments to the Provincial Tax Commission. At the hearing on May 11, 2021, the Milan Provincial Tax Commission upheld the company's appeals. On September 24, 2021, the Office filed an appeal and, on November 19, 2021, the Company filed a counter-claim to the appeal that was discussed at the hearing on June 10, 2022, during which the Regional Tax Commission of Milan rejected the Office's appeal. The terms for the filing of the appeal for Cassation by the Office are pending. A risk provision of 10.3 million euro has been recognized.

A2A Ambiente S.p.A. - Tax audit on sulphur dioxide and nitrogen oxides SO2 NOx emissions for the 2014 and 2019 tax periods

On October 24, 2019, the Naples Customs Agency 2 - Excise Department for Audits and Controls - opened against A2A Ambiente S.p.A. an administrative technical audit of the Acerra waste-to-energy plant for the recovery of the tax on emissions of sulphur dioxide and nitrogen oxides for the years 2014-2019. The audit was completed on February 27, 2020. On April 24, 2020, the Company submitted its observations regarding the notice of assessment prepared by the inspectors. On December 11, 2020, the Naples Customs Agency served notice of payment and imposition of penalties for the years 2015-2019. In March 2021, the Company filed an appeal with the Naples Provincial Tax Commission. On November 7, 2022, the company filed an appeal, which was upheld by the CGT II of Naples at the hearing on May 3, 2023. The terms for the filing of the appeal for Cassation by the Office are pending. A risk provision of 0.5 million euro has been recognized.

Linea Ambiente S.r.l. - General IRES/IRAP/VAT audit for fiscal years 2017-2019

On October 13, 2022, the Guardia di Finanza - Brescia Economic-Financial Police Unit - opened a general audit for IRES, IRAP and VAT purposes against the company Linea Ambiente S.r.l. for the tax periods 2017-2019. This audit was completed on October 28, 2022. The tax audit report disputed the deductibility of certain costs incurred by the company during the period audited. On the basis of the notice of assessment issued by the Brescia Finance Police (G.d.F.) and having unsuccessfully exhausted the attempts to adhere to it, the Brescia Revenue Agency/Provincial Directorate notified the Company (and, with regard to IRES, its consolidating company A2A S.p.A.) of six notices of assessment for IRES for the years 2017/2019, IRAP for the years 2017/2018 and VAT for the years 2017/2019. The company appealed to the competent bodies. A risk provision of 0.747 million euro has been recognized.

3

Attachments to the notes to the Consolidated annual report

3.1

1. List of companies included in the consolidated annual report

Company name	Registered office	Share capital (thousands of euro unless otherwise indicated)	% of shareholding consolidated by Group at 12 31 2023 (line-by-line consolidation)	Shareholding %	Shareholder
Scope of consolidation					
Unareti S.p.A.	Brescia	965,250	100.00%	100.00%	A2A S.p.A.
A2A Calore & Servizi S.r.l.	Brescia	150,000	100.00%	100.00%	A2A S.p.A.
A2A Smart City S.p.A.	Brescia	3,448	100.00%	100.00%	A2A S.p.A.
A2A Energia S.p.A.	Milan	3,000	100.00%	100.00%	A2A S.p.A.
A2A Ciclo Idrico S.p.A.	Brescia	70,000	100.00%	100.00%	A2A S.p.A.
A2A Ambiente S.p.A.	Brescia	250,000	100.00%	100.00%	A2A S.p.A.
A2A Montenegro d.o.o.	Podgorica (Montenegro)	100	100.00%	100.00%	A2A S.p.A.
A2A Energiefuture S.p.A.	Milan	50,000	100.00%	100.00%	A2A S.p.A.
A2A gencogas S.p.A.	Milan	450,000	100.00%	100.00%	A2A S.p.A.
A2A Services & Real Estate S.p.A.	Milan	1,050	100.00%	100.00%	A2A S.p.A. (81.33%) Ambiente Energia Brianza S.p.A (8.38%) Acinque S.p.A. (10.29%)
A2A Airport Energy S.p.A.	Milan	5,200	100.00%	100.00%	A2A Calore & Servizi S.r.l.
Termica Cologno S.r.l.	Milan	1,000	100.00%	100.00%	A2A Calore & Servizi S.r.l.
Retragas S.r.l.	Brescia	34,495	91.60%	91.60%	A2A S.p.A. (87.27%) Unareti S.p.A. (4.33%)
Camuna Energia S.r.l.	Cedegolo (BS)	900	89.00%	89.00%	A2A S.p.A. (74.50%) Linea Green S.p.A. (14.50%)
A2A Alfa S.r.l. in liquidation	Milan	100	70.00%	70.00%	A2A S.p.A.
Proaris S.r.l. in liquidation	Milan	1,875	60.00%	60.00%	A2A S.p.A.
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (BS)	8,939	74.80%	74.80%	A2A S.p.A. (74.55%) Unareti S.p.A. (0.25%)
Yada Energia S.r.l.	Milan	4,000	100.00%	100.00%	A2A Energia S.p.A.
LaboRAEE S.r.l.	Milan	90	100.00%	100.00%	Amsa S.p.A.
Ecolombardia 4 S.p.A.	Milan	13,515	68.78%	68.78%	A2A Ambiente S.p.A.
Sicura S.r.l.	Milan	1,040	96.80%	96.80%	A2A Ambiente S.p.A.
Sistema Ecodeco UK Ltd	Canvey Island Essex (UK)	250 (GBP)	100.00%	100.00%	A2A Ambiente S.p.A.
A.S.R.A.B. S.p.A.	Cavaglià (BI)	2,582	70.00%	70.00%	A2A Ambiente S.p.A.
Nicosiambiente S.r.l.	Milan	50	99.90%	99.90%	A2A Ambiente S.p.A.
Bioase S.r.l.	Sondrio	677	70.00%	70.00%	A2A Ambiente S.p.A.
Aprica S.p.A.	Brescia	10,000	100.00%	100.00%	A2A Ambiente S.p.A.
Amsa S.p.A.	Milan	10,000	100.00%	100.00%	A2A Ambiente S.p.A.
Bergamo Servizi S.r.l.	Brescia	10	100.00%	100.00%	Aprica S.p.A.
A2A Integrambiente S.r.l.	Brescia	10	100.00%	100.00%	A2A Ambiente S.p.A. (74%) Aprica S.p.A. (1%) Amsa S.p.A. (25%)

Company name	Registered office	Share capital (thousands of euro unless otherwise indicated)	% of shareholding consolidated by Group at 12 31 2023 (line-by-line consolidation)	Shareholding %	Shareholder
A2A Security S.c.p.a.	Milan	52	99.81%	99.81%	A2A S.p.A. (45.96%) Unareti S.p.A. (18.37%) A2A Ciclo Idrico S.p.A. (10.49%) Amsa S.p.A. (9.14%) A2A gencogas S.p.A. (3.95%) A2A Ambiente S.p.A. (4.33%) A2A Calore & Servizi S.r.l. (2.60%) A2A Energiefuture S.p.A. (1.93%) A2A Energia S.p.A. (0.19%) A2A Energy Solutions S.r.l. (0.19%) Linea Green S.p.A. (0.19%) LD Reti S.r.l. (0.19%) Linea Ambiente S.r.l. (0.19%) A2A Smart City S.p.A. (0.19%) Acinque S.p.A. (0.19%) Aprica S.p.A. (0.38%) Retragas S.r.l. (0.19%) Lereti S.p.A. (0.19%) Azienda Servizi Valtrompia S.p.A. (0.19%) Acinque Energia S.r.l. (0.19%) Acinque Tecnologie S.p.A. (0.19%) Reti Valtellina Valchiavenna S.r.l. (0.19%) Acinque Farmacie S.r.l. (0.19%)
WALDUM TADINUM ENERGIA S.r.l.	Gualdo Tadino (PG)	10	90.00%	90.00%	A2A Ambiente S.p.A.
LumEnergia S.p.A.	Villa Carcina (BS)	300	99.97%	99.97%	A2A Energia S.p.A.
A2A Energy Solutions S.r.l.	Milan	4,000	100.00%	100.00%	A2A S.p.A.
ES Energy S.r.l.	Jesi (AN)	10	50.00%	50.00%	A2A S.p.A.
A2A Rinnovabili S.p.A.	Milan	50	100.00%	100.00%	A2A S.p.A.
Fair Renew S.r.l.	Milan	10	60.00%	60.00%	A2A Rinnovabili S.p.A.
renewA21 S.r.l.	Milan	20	100.00%	100.00%	A2A Rinnovabili S.p.A.
renewA22 S.r.l.	Milan	220	100.00%	100.00%	A2A Rinnovabili S.p.A.
renewA23 S.r.l.	Milan	20	100.00%	100.00%	A2A Rinnovabili S.p.A.
renewA24 S.r.l.	Milan	20	100.00%	100.00%	A2A Rinnovabili S.p.A.
renewA25 S.r.l.	Milan	20	100.00%	100.00%	A2A Rinnovabili S.p.A.
Des Energia Tredici S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
CS Solar2 S.r.l.	Milan	15	100.00%	100.00%	A2A Rinnovabili S.p.A.
Flabrum S.r.l.	Milan	100	100.00%	100.00%	A2A Rinnovabili S.p.A.
Solar italy V S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
Cilea Energia S.r.l.	Milan	-	100.00%	100.00%	A2A Rinnovabili S.p.A.
Tosti Energia S.r.l.	Milan	-	100.00%	100.00%	A2A Rinnovabili S.p.A.
Bellini Energia S.r.l.	Milan	-	100.00%	100.00%	A2A Rinnovabili S.p.A.
Corelli Energia S.r.l.	Milan	-	100.00%	100.00%	A2A Rinnovabili S.p.A.
Monteverdi Energia S.r.l.	Milan	-	100.00%	100.00%	A2A Rinnovabili S.p.A.
Gash 1 S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
Gash 2 S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
Volta Green Energy S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
Mogorella S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
Juwi Development 12 S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
Juwi Development 13 S.r.l.	Milan	10	100.00%	100.00%	A2A Rinnovabili S.p.A.
VGE 01 S.r.l.	Milan	10	70.00%	70.00%	Volta Green Energy S.r.l.

Company name	Registered office	Share capital (thousands of euro unless otherwise indicated)	% of shareholding consolidated by Group at 12 31 2023 (line-by-line consolidation)	Shareholding %	Shareholder
VGE 02 S.r.l.	Milan	10	100.00%	100.00%	Volta Green Energy S.r.l.
VGE 03 S.r.l.	Milan	10	100.00%	100.00%	Volta Green Energy S.r.l.
VGE 04 S.r.l.	Milan	10	100.00%	100.00%	Volta Green Energy S.r.l.
VGE 06 S.r.l.	Milan	10	100.00%	100.00%	Volta Green Energy S.r.l.
R2R S.r.l.	Rovereto (TN)	10	60.00%	60.00%	A2A Rinnovabili S.p.A.
R2R 01 S.r.l.	Milan	10	100.00%	100.00%	R2R S.r.l.
R2R 02 S.r.l.	Milan	10	100.00%	100.00%	R2R S.r.l.
R2R 03 S.r.l.	Milan	10	100.00%	100.00%	R2R S.r.l.
R2R 04 S.r.l.	Milan	10	100.00%	100.00%	R2R S.r.l.
LD Reti S.r.l.	Lodi	32,976	95.60%	95.60%	A2A S.p.A.
Linea Green S.p.A.	Cremona	7,000	100.00%	100.00%	A2A S.p.A.
Linea Ambiente S.r.l.	Rovato (BS)	1,400	100.00%	100.00%	A2A Ambiente S.p.A.
AGRIPOWER S.p.A.	Milan	600	100.00%	100.00%	A2A Ambiente S.p.A.
DONNA RICCA BIOENERGIA S.R.L. SOCIETA' AGRICOLA	Milan	10	51.00%	51.00%	AGRIPOWER S.p.A.
IUMAGAS BIOENERGY SOCIETA' AGRICOLA A.R.L.	Milan	50	51.00%	51.00%	AGRIPOWER S.p.A.
MARSICA AGROENERGIA S.R.L.	Milan	60	54.02%	54.02%	AGRIPOWER S.p.A.
PONZANO BIOENERGIA SOCIETA' AGRICOLA A.R.L.	Milan	40	51.00%	51.00%	AGRIPOWER S.p.A.
PRATI BIOENERGIA SOCIETA' AGRICOLA A.R.L.	Bologna	40	100.00%	100.00%	AGRIPOWER S.p.A.
ROBERTA BIOENERGIA S.R.L.	Milan	10	51.00%	51.00%	AGRIPOWER S.p.A.
SAN QUIRICO BIOENERGIA SOCIETA' AGRICOLA A.R.L.	Milan	160	93.75%	93.75%	AGRIPOWER S.p.A.
SCALENGHE BIOGAS SOCIETA' AGRICOLA S.R.L.	Milan	10	82.00%	82.00%	AGRIPOWER S.p.A.
STROVINA BIOENERGIA SOCIETA' AGRICOLA A.R.L.	Milan	40	51.00%	51.00%	AGRIPOWER S.p.A.
TORRE ZUINA SOCIETA' AGRICOLA A.R.L.	Milan	10	51.00%	51.00%	AGRIPOWER S.p.A.
TULA BIOENERGIA SOCIETA' AGRICOLA A.R.L.	Milan	40	51.00%	51.00%	AGRIPOWER S.p.A.
VITTORIA BIOENERGIA S.R.L.	Milan	50	75.00%	75.00%	AGRIPOWER S.p.A.
CONSORZIO UMBRIA BIOENERGIA	Zola Predosa (BO)	1	90.02%	90.02%	AGRIPOWER S.p.A.
Asm Energia S.p.A.	Vigevano (PV)	2,511	45.00%	45.00%	A2A Energia S.p.A.
Acinque S.p.A.	Monza	197,344	41.34%	41.34%	A2A S.p.A.
Lereti S.p.A.	Como	86,450	100.00%	100.00%	Acinque S.p.A.
ComoCalor S.p.A.	Como	3,516	51.00%	51.00%	Acinque S.p.A.
Reti Valtellina Valchiavenna S.r.l.	Sondrio	2,000	100.00%	100.00%	Acinque S.p.A.
Acinque Energia S.r.l.	Lecco	17,100	99.75%	99.75%	Acinque S.p.A.
Acinque Ambiente S.r.l.	Varese	4,500	100.00%	100.00%	Acinque S.p.A.
Acinque Tecnologie S.p.A.	Monza	6,000	100.00%	100.00%	Acinque S.p.A.
Acinque Innovazione S.r.l.	Monza	21,800	100.00%	100.00%	Acinque S.p.A.
Acinque Farmacie S.r.l.	Sondrio	100	100.00%	100.00%	Acinque S.p.A.
Acinque Energy Greenway S.r.l.	Monza	8,464	70.00%	70.00%	Acinque Tecnologie S.p.A.
A2A E-MOBILITY S.r.l.	Milan	1,000	100.00%	100.00%	A2A S.p.A.

Company name	Registered office	Share capital (thousands of euro unless otherwise indicated)	% of shareholding consolidated by Group at 12 31 2023 (line-by-line consolidation)	Shareholding %	Shareholder
Ambiente Energia Brianza S.p.A.	Seregno (MB)	119,496	34.44%	33.52%	A2A S.p.A.
A2A Illuminazione Pubblica S.r.l.	Brescia	19,000	100.00%	100.00%	Ambiente Energia Brianza S.p.A.
Gelsia S.r.l.	Seregno (MB)	20,345	100.00%	100.00%	Ambiente Energia Brianza S.p.A.
RetiPiù S.r.l.	Desio (MB)	110,000	100.00%	100.00%	Ambiente Energia Brianza S.p.A.
VGE 05 S.r.l.	Seregno (MB)	10	90.00%	90.00%	Ambiente Energia Brianza S.p.A.
Gelsia Ambiente S.r.l.	Desio (MB)	4,671	100.00%	100.00%	Ambiente Energia Brianza S.p.A. (70%) A2A Integrambiente S.r.l. (30%)
4NEW S.r.l.	Milan	811	100.00%	100.00%	A2A Rinnovabili S.p.A.
4NEW MONTE GRIGHINE S.r.l.	Milan	10,000	100.00%	100.00%	4NEW S.r.l.
CERVETERI ENERGIA S.r.l.	Milan	21	100.00%	100.00%	4NEW S.r.l.
DE - STERN 12 S.r.l.	Milan	50	100.00%	100.00%	4NEW S.r.l.
STCS S.r.l.	Milan	10	100.00%	100.00%	4NEW S.r.l.
LA CASTILLEJA ENERGIA SL	Madrid (ES)	4	100.00%	100.00%	GLOBAL ONEGA SL
SISTEMES ENERGETICS CONESA I SOCIEDAD LIMITADA	Madrid (ES)	3	100.00%	100.00%	RESPETO AL MEDIO AMBIENTE SL (50%) GLOBAL ONEGA SL (50%)
GLOBAL ONEGA SL	Madrid (ES)	10	100.00%	100.00%	4NEW S.r.l.
RESPETO AL MEDIO AMBIENTE SL	Madrid (ES)	3	100.00%	100.00%	4NEW S.r.l.
3 New & Partners S.r.l.	Milan	25,000	100.00%	100.00%	A2A Rinnovabili S.p.A.
3 New & Partners rinnovabili S.r.l.	Milan	10	100.00%	100.00%	3 New & Partners S.r.l.
Mimiani wind S.r.l.	Milan	100	100.00%	100.00%	3 New & Partners S.r.l.
Daunia Calvello S.r.l.	Milan	100	100.00%	100.00%	3 New & Partners rinnovabili S.r.l. (51%) A2A Rinnovabili S.p.A. (49%)
Daunia Serracapriola S.r.l.	Milan	2,000	100.00%	100.00%	3 New & Partners rinnovabili S.r.l. (70%) A2A Rinnovabili S.p.A. (30%)

3.2

2. List of shareholdings in companies carried at equity

Company name	Registered office	Share capital (thousands of euro)	Shareholding %	Shareholder	Carrying amount at 12 31 2023 (thousands of euro)
Shareholdings in companies carried at equity					
PremiumGas S.p.A. in liquidation	Bergamo	120	50.00%	A2A Alfa S.r.l. in liquidation	-
Ergosud S.p.A.	Rome	81,448	50.00%	A2A gencogas S.p.A.	-
Metamer S.r.l.	San Salvo (CH)	2,000	50.00%	A2A Energia S.p.A.	2,868
NETCITY S.r.l.	Pescara	20	49.00%	A2A Energia S.p.A.	1,478
SET S.r.l.	Toscolano Maderno (BS)	104	49.00%	A2A S.p.A.	1,168
Messina in Luce S.c.a.r.l.	Monza	20	70.00%	Acinque Tecnologie S.p.A. (55%) A2A Illuminazione Pubblica S.r.l.(15%)	11
Serio Energia S.r.l.	Concordia sulla Secchia (MO)	1,000	40.00%	A2A S.p.A.	328
Visano Soc. Trattamento Reflui S.c.a.r.l.	Brescia	25	40.00%	A2A S.p.A.	10
Blugas Infrastrutture S.r.l.	Mantova	14,300	27.51%	A2A S.p.A.	4,269
COSMO Società Consortile a Responsabilità Limitata	Brescia	100	52.00%	A2A Calore & Servizi S.r.l.	134
Crit S.c.a.r.l.	Cremona	548	33.00%	A2A S.p.A.	125
G.Eco S.r.l.	Treviglio (BG)	500	40.00%	Aprica S.p.A.	2,925
Bergamo Pulita S.r.l.	Bergamo	10	50.00%	A2A Ambiente S.p.A.	73
Tecnoacque Cusio S.p.A.	Omegna (VB)	206	25.00%	A2A Ambiente S.p.A.	337
Fratelli Omini S.p.A.	Novate Milanese (MI)	260	30.00%	A2A Ambiente S.p.A.	6,531
ASM Codogno S.r.l.	Codogno (LO)	1,898	49.00%	Aprica S.p.A.	3,134
Prealpi Servizi S.r.l. in liquidation	Varese	5,451	12.47%	Acinque S.p.A.	-
Consul System S.p.A.	Ascoli Piceno	2,000	49.00%	A2A Energy Solution S.r.l.	6,300
Società Agricola Mattioli Energia S.r.l.	Finale Emilia (MO)	20	20.00%	AGRIPOWER S.p.A.	475
Total shareholdings					**30,166**

3.3
3. List of holdings in other companies

Company name	Shareholding %	Shareholder	Carrying amount at 12 31 2023 (thousands of euro)
Immobiliare-Fiera di Brescia S.p.A.	0.90%	A2A S.p.A.	
AQM S.r.l.	7.80%	A2A S.p.A. (7.52%) LumEnergia S.p.A. (0.28%)	
AvioValtellina S.p.A.	0.18%	A2A S.p.A.	
Banca di Credito Cooperativo dell'Oglio e del Serio s.c.	n.s.	A2A S.p.A.	
L.E.A.P. S.c.a.r.l.	8.29%	A2A S.p.A.	
Guglionesi Ambiente S.c.a.r.l.	1.01%	A2A Ambiente S.p.A.	
S.I.T. S.p.A.	0.26%	Aprica S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
DI.T.N.E. S.c.a.r.l.	1.79%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
COMIECO	5.63%	A2A Ambiente S.p.A.	
CONAPI S.c.a.r.l.	20.00%	A2A Ambiente S.p.A.	
Casalasca Servizi S.p.A.	13.88%	Aprica S.p.A.	
Confidi Toscana S.c.a.r.l.	n.s.	Linea Ambiente S.r.l.	
Credito Valtellinese	n.s.	Linea Ambiente S.r.l.	
Futura S.r.l.	1.00%	A2A Calore & Servizi S.r.l.	
Comodepur S.c.p.a. in liquidation	9.81%	Acinque S.p.A.	
T.C.V.V.V. S.p.A.	0.25%	Acinque S.p.A.	
Lago di Como Gal S.c.a.r.l.	3.00%	Acinque S.p.A.	
CIAL-CONSORZIO IMBALLAGGIO ALLUMINIO	0.60%	A2A Ambiente S.p.A.	
COREVE	0.88%	A2A Ambiente S.p.A.	
COREPLA-CONSORZIO RECUPERO PLASTICA NAZIONALE	3.04%	A2A Ambiente S.p.A.	
RICREA-CONSORZIO NAZIONALE RICICLO E RECUPERO IMBALLAGGI ACCIAIO	n.s.	A2A Ambiente S.p.A.	
CIC-CONSORZIO ITALIANO COMPOSTATORI	n.s.	A2A Ambiente S.p.A.	
Musa S.c.a.r.l.	7.00%	A2A S.p.A.	
Total investments in other companies			**1,483**

3.4

Certification of the consolidated financial statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. The undersigned, Renato Mazzoncini, as CEO of A2A S.p.A., and Luca Moroni, as Financial Reporting Manager of A2A S.p.A. also considering the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24, 1998, as amended, hereby attest:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

of administrative and accounting procedures for the preparation of financial statements in the year 2023.

2. It is also certified that:

   2.1 the consolidated financial statements as at December 31, 2023:

   a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

   b) correspond to the information contained in the accounting ledgers and records;

   c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation.

   2.2 the Report on Operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Milan, March 11, 2024

Renato Mazzoncini (Chief Executive Officer)	Luca Moroni (Financial Reporting Manager)

4

Independent Auditors' Report

4
Independent Auditors' Report

EY S.p.A.
Via Meravigli, 12
20123 Milano

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the shareholders of
A2A S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of A2A Group (the Group), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity and consolidated cash-flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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 our report. We are independent of A2A S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Estimate of revenues for the sale of gas and electricity	
Revenues from the sale of goods and services include the estimated revenues accrued for gas and electricity services delivered to the customers between the date of last meter reading and December 31, 2023, as well as billed revenues based on effective consumptions for the period. The processes for assessing such estimate are based on complex assumptions that, by their nature, imply use of the management's judgment. In particular, the methodology used by the Group for estimating the volume of gas and electricity delivered to each customer between the date of the last meter reading and year-end are based on complex calculation which also involved different IT systems and consider the historical consumptions and the trade profile of each customer, adjusted to account for potential changes in consumptions. Considering the judgment required and the complexity of the assumptions used in the estimate of revenues from the sale of electricity and gas, we identified this area as a key audit matter. The disclosure of revenues recognition principles for gas and electricity sales is included in the paragraph "Use of estimates" of the notes to the consolidated financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the processes and key controls implemented by the Company related to the estimate of revenues for gas and electricity sales, including those related to Information Technology (IT); • assessment of the key assumptions used by the management; • assessment of the effectiveness of the General Controls of IT systems used in developing the estimate; • assessment of historical trends of revenues estimate, and analysis of the impacts on total revenues; • execution of test of details on a sample of data used by the management: • analysis of the estimate against the data subsequently reported. Lastly, we reviewed the adequacy of the disclosure included in the notes to the consolidated financial statements.

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Impairment of tangible and intangible assets

The consolidated financial statements of the Group as of December 31, 2023 include tangible assets for Euro 6.643 million and intangible assets for Euro 3.630 million, of which Euro 846 million related to goodwill, allocated to the different Cash Generating Units (CGUs). The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions, that, by their nature, imply the use of the management's judgment, in particular with reference to (*i*) the forecast of future cash flows relating to the period covered by the Group's strategic plan 2024-2035 approved by the Directors on March 11, 2024, (*ii*) the normalized cash flows or the net realized value of the assets assumed as a basis for the terminal value, (*iii*) the long-term growth rates and discount rates applied to such cash flows forecasts and (*iv*) the estimate of Industrial Residual Value ("*Valore Industriale Residuo*"). Such forecasts are sensitive also to future trends and volatility of the energy markets and macroeconomic events, by potential effects arising from climate change, as well as by changes in regulations, if any, and new authorization processes and laws. Considering the judgment involved and the complexity of the assumptions used in the estimate of the recoverable amount, we have considered that this area represents a key audit matter. The disclosures related to the impairment of assets are included in the paragraph "Use of estimates", in the note n.1 "Tangible Assets" and in note n.2 "Intangible Assets" of the notes to the consolidated financial statements and in the paragraph 3.4 "Climate Change" of the Report on Operations, that also shows the sensitivity analysis by estimating the effects on the impairment test arising from hypothetical variations on key assumptions.	Our audit procedures related to this key audit matters included, among others: • assessment of the processes implemented by the Company related to the preparation of the Group's strategic plan and the impairment test; • assessment of the appropriateness of the determination of the CGUs, including allocation of assets and liabilities to their carrying amount; • assessment of the report produced by the management's third-party specialists, as well as the assessment of their competence, capability and objectivity; • assessment of cash flows forecasts and their consistency with energy market conditions, macroeconomic scenarios, potential effects arising from climate change, regulatory environment, authorization processes and new laws; • assessment of the consistency between the future cash flows assumed in the Group strategic plan and the cash flows forecasts assumed for each CGU, appropriately adjusted in order to exclude those that arise from future improving or enhancing the asset's performance; • assessment of the accuracy of actual results against previous forecasts; • assessment of the long-term growth rates and discount rates. In performing our procedures, we assessed the sensitivity analysis on key assumptions, including those related to main aspects of energy market conditions and climate change. We leveraged the use of EY valuation specialists who also performed an independent calculation. Lastly, we reviewed the adequacy of the disclosures included in the notes to the consolidated financial statements and in the Report on Operations with reference to the recoverability analysis of tangible and intangible assets.

Responsibilities of Directors and Those Charged with Governance for the

Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company A2A S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements

  or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have 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 have 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.

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of A2A S.p.A., in the general meeting held on June 11, 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of A2A S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at December 31, 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of A2A S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of the Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of the Group as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Group as at December 31, 2023 and comply with the applicable laws and regulations.

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

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Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of A2A S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, March 27, 2024

EY S.p.A.
Signed by: Enrico Lenzi, Partner

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.