a2a LIFE COMPANY

Life is a Circle

2023

Separate Financial Statements

Separate financial statements

2023

these Financial Statements are available at the website
gruppoa2a.it

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Overview of performance, financial conditions and net debt

A2A S.p.A.

The Parent Company is responsible for strategic vision, planning, control, financial management and coordination of the A2A Group activities. It also provides services to support the business and operating activities of Group companies (administrative, legal, supply, and personnel management services, information technology and communications) in order to optimize the resources available and use existing expertise in the most efficient manner. These services are governed by intercompany service agreements.

Finally, A2A S.p.A. provides its subsidiaries with office space and operating areas, as well as related services.

A2A S.p.A. owns some hydroelectric plants in Valtellina, the hydroelectric unit in Calabria and the unit in Mese, as well as the hydroelectric plants of the unit in Udine.

Results

millions of euro	12 31 2023	12 31 2022	Change	Percentage change
Revenues				
Revenues from the sale of goods and services	11,046.0	19,667.2	(8,621.2)	(43.8%)
Other operating income	16.4	21.1	(4.7)	(22.3%)
Total revenues	**11,062.4**	**19,688.3**	**(8,625.9)**	**(43.8%)**
Operating expenses				
Costs for raw materials and services	(9,790.8)	(18,354.0)	8,563.2	(46.7%)
Other operating expenses	(657.7)	(827.7)	170.0	(20.5%)
Total operating expenses	**(10,448.5)**	**(19,181.7)**	**8,733.2**	**(45.5%)**
Labor costs	(195.7)	(174.9)	(20.8)	11.9%
Gross operating income	**418.2**	**331.7**	**86.5**	**26.1%**
Depreciation, amortization and write-downs	(133.5)	(123.4)	(10.1)	8.2%
Provisions	(48.7)	(38.8)	(9.9)	25.5%
Net operating income	**236.0**	**169.5**	**66.5**	**39.2%**
Result from non-recurring transactions	**1.8**	**155.2**	**(153.4)**	**(98.8%)**
Financial income	520.1	469.3	50.8	10.8%
Financial expenses	(182.5)	(97.0)	(85.5)	88.1%
Total financial balance	**337.6**	**372.3**	**(34.7)**	**(9.3%)**
Result before taxes	**575.4**	**697.0**	**(121.6)**	**(17.4%)**
Income taxes	(87.4)	(181.1)	93.7	(51.7%)
Result after taxes from operating activities	**488.0**	**515.9**	**(27.9)**	**(5.4%)**
Net result from discontinued operations	**0.2**	**29.7**	**(29.5)**	**(99.3%)**
Net result of the year	**488.2**	**545.6**	**(57.4)**	**(10.5%)**

In the year in question A2A S.p.A. shows revenues for a total of 11,062.4 million euro (19,688.3 million euro in the previous year). Sales revenues (10,779.2 million euro) mainly refer to electricity sales to wholesalers, institutional operators, even on IPEX markets (Italian Power Exchange) and subsidiaries, sales of gas and fuels to third parties and subsidiaries and the sale of materials and environmental certificates. Revenues from services (266.8 million euro) mainly relate to provisions to subsidiaries of administrative, fiscal, legal, managerial and technical services, and revenues from the Municipality of Milan for the video surveillance service.

The decrease in sales revenues is mainly due to the decrease in prices on the wholesale markets of both electricity and gas, as well as lower revenues from sales of CO2 mainly due to the lower functioning of the thermoelectric plants managed by A2A S.p.A. through tolling contracts.

Other revenues (16.4 million euro) refer to rent from subsidiaries, contingent assets recorded following the difference in provisions for previous years, reimbursements for damages and penalties received from customers, insurance companies and private individuals. In the previous year, this item included incentives for production from renewable sources “feed-in tariff” in the amount of 8.2 million euro; in 2023, the amount of these incentives was zero as a result of the increase in the 2022 PUN above the threshold of 180 euro/MWh required by the GRIN incentive calculation formula.

Operating expenses amounted to 10,448.5 million euro (19,181.7 million euro at December 31, 2022) and refer to costs for raw materials (9,218.0 million euro) related primarily to purchases of energy and fuels, both for electricity production and for resale to customers and wholesalers, in addition to purchases of materials and environmental certificates; service costs (572.8 million euro), which refer to the logistics costs for the transport on the national network of natural gas, costs for maintenance and repairs related to both the plants and the information systems of the company, as well as costs for services from third parties and from subsidiaries and associates; to other operating costs (657.7 million euro), which refer to the contracting of the thermoelectric production plants tolling agreement of subsidiaries, the costs relating to the use of a portion of the electricity capacity of Ergosud S.p.A., as well as water derivation fees, damages and penalties.

The decrease in operating expenses derives mainly from the decrease in costs for raw materials, attributable to the reduction in unit procurement prices due to the decrease recorded in the reference scenario with essentially the same volumes purchased, as well as the decrease in CO2 purchases due to the lower volumes issued related to the reduction in thermoelectric production, partly offset by the increase in costs for services mainly due to the higher costs for the transportation and storage of natural gas and the higher costs for IT services relating to the development of new projects.

Labor costs amounted to 195.7 million euro (174.9 million euro at December 31, 2022). The increase for the year includes both the effect of new staff additions realized in 2023 and contractual renewals, as well as remuneration policy actions.

Due to the dynamics mentioned above the EBITDA amounted to 418.2 million euro (331.7 million euro at December 31, 2022).

“Amortization and depreciation, provisions and write-downs” of the year amounted to 182.2 million euro (162.2 million euro at December 31, 2022) and include amortization, depreciation and write-downs of the tangible and intangible assets for 133.5 million euro (123.4 million euro at December 31, 2022) and provisions for 48.7 million euro (38.8 million euro at December 31, 2022), mainly related to provisions for risks.

“Net operating income” was positive for 236.0 million euro (169.5 million euro at December 31, 2022).

The “Result from non-recurring transactions” amounted to 1.8 million euro, while at December 31, 2022, it amounted to 155.2 million euro and referred to the capital gain from the sale of land in the Bovisa area located in the Municipality of Milan, while in the previous year, it referred to the gain from the sale of three properties located in Milan that took place in February 2022.

Financial operations reported a positive balance of 337.6 million euro (positive for 372.3 million euro at December 31, 2022). This item includes dividends from investees of 283.2 million euro (407.4 million euro at December 31, 2022), as well as net financial income of 54.4 million euro (net financial expenses 35.1 million euro at December 31, 2022).

The “Result before taxes” was positive for 575.4 million euro (positive for 697.0 million euro at December 31, 2022).

“Income taxes” amounted to 87.4 million euro (181.1 million euro at December 31, 2022) and refer to current taxes calculated on taxable income IRES and IRAP, partially offset by deferred tax assets and liabilities. In the previous year, taxes included, for 99.8 million euro, the Extraordinary Solidarity Contribution planned for the year 2022, determined pursuant to article 1, paragraphs 115-119 of Law no. 197 of December 29, 2022 (Budget Law 2023).

The “Net result from discontinued operations” was positive for 0.2 million euro (positive for 29.7 million euro at December 31, 2022) and refers to the collection from Retragas S.r.l. of the portion due to A2A S.p.A. relating to the price adjustment of the sale of the Val Staffora BU carried out by Retragas S.r.l. to ROMEO GAS S.p.A.. In 2022, this item referred to the capital gain, net of the effect of current taxes on the same, realized from the sale of the shareholding in ROMEO GAS S.p.A., after the demerger of the unit in favor of the latter relative to gas distribution referred to ATEM deemed non-strategic by Unareti S.p.A..

The “Net result of the year” was positive for 488.2 million euro (545.6 million euro at December 31, 2022).

* * *

Net year capex amounted to 135.0 million euro and in particular involved interventions on the hydroelectric plants, computer network equipment and devices, buildings, fixed assets in progress, capex in the Group’s information systems and software and net investments in equity.

Balance sheet and financial position

millions of euro	12 31 2023	12 31 2022	Change	Percentage change
Capital employed				
Net fixed capital	**5,175.6**	**5,103.9**	**71.7**	**1.4%**
- Tangible assets	895.7	901.0	(5.3)	(0.6%)
- Intangible assets	204.3	168.1	36.2	21.5%
- Shareholdings and other non-current financial assets (*)	4,227.6	4,209.1	18.5	0.4%
- Other non-current assets/liabilities (*)	46.9	19.4	27.5	n.s.
- Deferred tax assets/liabilities	95.1	66.4	28.7	43.2%
- Provisions for risks, charges and liabilities for landfills	(170.9)	(128.1)	(42.8)	33.4%
- Employee benefits	(123.1)	(132.0)	8.9	(6.7%)
of which with counter-entry to equity	*(36.1)*	*(50.3)*	*14.2*	*(28.2%)*
Net Working Capital and Other Current Assets/Liabilities	**(398.7)**	**(405.6)**	**6.9**	**(1.7%)**
Net Working Capital:	**(625.6)**	**(562.4)**	**(63.2)**	**11.2%**
Inventories	173.0	389.2	(216.2)	(55.5%)
Trade receivables	2,179.9	3,655.0	(1,475.1)	(40.4%)
Trade payables	(2,978.5)	(4,606.6)	1,628.1	(35.3%)
Other current assets/liabilities:	**226.9**	**156.8**	**70.1**	**44.7%**
- Other current assets/liabilities (*)	262.2	253.4	8.8	3.5%
- Current tax assets/tax liabilities	(35.3)	(96.6)	61.3	(63.5%)
of which with counter-entry to equity	*(2.4)*	*32.3*	*(34.7)*	*n.s.*
Assets/liabilities held for sale (*)	-	-	-	-
of which with counter-entry to equity	-	-	-	-
Total capital employed	**4,776.9**	**4,698.3**	**78.6**	**1.7%**
Sources of funds				
Shareholders' equity	**3,788.7**	**3,603.0**	**185.7**	**5.2%**
Total financial position after one year	4,773.6	4,305.4	468.2	10.9%
Total financial debt within one year	(3,785.4)	(3,210.1)	(575.3)	17.9%
Total Net Financial Position	988.2	1,095.3	(107.1)	(9.8%)
of which with counter-entry to equity	*(2.3)*	*5.6*	*(7.9)*	*n.s.*
Total sources	**4,776.9**	**4,698.3**	**78.6**	**1.7%**

(*) Excluding balances included in the Net Financial Position.

At December 31, 2023, “**Capital employed**” totaled 4,776.9 million euro, partly covered by “**Equity**” in the amount of 3,788.7 million euro and net debt of 988.2 million euro; provided below are the main items that make up the Capital Employed.

“**Net fixed capital**” amounted to 5,175.6 million euro, up 71.7 million euro compared to December 31, 2022.

Changes are detailed below:

- Tangible assets decreased by 5.3 million euro due to:
  - decrease of 87.5 million euro for the depreciation charge for the year;
  - investments made during the year for a total of 72.2 million euro;
  - other increases for 15.4 million euro resulting mainly from changes in contracts for rights of use;

- disposal of assets, net of accumulated depreciation, for 5.3 million euro due to the sale of land in the Bovisa area located in the Municipality of Milan, the sale of land and buildings in Piazza Po to Unareti S.p.A., and the sale of land, buildings and plants in Valtellina to E-distribuzione S.p.A.;

- Intangible assets increased by 36.2 million euro on December 31, 2022, due to:
- made during the year for a total of 58.8 million euro;
- increase due to the effect of extraordinary transactions for 1.5 million euro;
- decrease of 46.0 million euro for the depreciation charge for the year;
- other increases for 21.9 million euro;
- Shareholdings and other non-current financial assets amounted to 4,227.6 million euro, up 18.5 million euro compared to December 31, 2022, attributable to:
- 50.0 million euro increase in the shareholding in A2A Rinnovabili S.p.A. following the conversion of the first tranche of part of the financial receivable from the company into equity of the same;
- increase of 6.2 million euro relating to the capital contribution subscribed in the investee company A2A E-MOBILITY S.r.l.;
- sale for 40.0 million euro of the investment in Yada Energia S.r.l. to the subsidiary A2A Energia S.p.A.;
- write-down of 0.2 million euro and collection of 2.5 million euro related to the investment in Proaris S.r.l. in liquidation pending the conclusion of its liquidation process;
- establishment of the company A2A Services & Real Estate S.p.A. (formerly A2A Servizi S.r.l.) and subsequent contribution of the "Group Shared Services & Real Estate" business unit for 0.8 million euro;
- purchase of the 33% shareholding in Crit S.c.a.r.l. from the subsidiary A2A Smart City S.p.A. for 0.2 million euro;
- increase of 4.0 million euro in other financial assets, in particular investments made in innovative start-ups through Corporate Venture Capital projects;
- Other non-current assets and liabilities show an increase of 27.5 million euro as a result of higher non-current assets related to both security deposits and receivables from the tax authorities for tax benefits under building bonuses due beyond one year;
- Deferred tax assets amounted to 95.1 million euro (66.4 million euro at December 31, 2022) and show an increase of 28.7 million euro, net of the effect of extraordinary transactions, negative for 0.8 million euro;
- Provisions for risks, charges and liabilities for landfills recorded an increase of 42.8 million euro. The following should be noted: an increase resulting from net provisions for the year of 43.7 million euro, mainly related to public water derivation fees and lawsuits pending with third parties; uses for the year of 5.3 million euro, the effect of extraordinary transactions, negative for 1.5 million euro, while other positive changes amounted to 5.9 million euro;
- Employee benefits showed a decrease of 8.9 million euro, net of the effect of extraordinary transactions, negative for 4.5 million euro, referring to actuarial valuations, disbursements for the year and payments to pension funds, partly offset by net provisions for the year.

Net Working Capital and Other Current Assets/Liabilities

"**Net Working Capital**", defined as the algebraic sum of trade receivables, closing inventories and trade payables, amounted to a negative 625.6 million euro, down by 63.2 million euro compared to December 31, 2022. Comments on the main items are given below:

- "**Inventories**" amounted to 173.0 million euro (389.2 million euro at December 31, 2022), net of the relative obsolescence provision for 0.7 million euro, unchanged compared to the previous year. The decrease was due to the reduction in gas and coal inventories compared to the end of the previous year, mainly reflecting the downward trend observed during the year in the reference scenario;
- "**Trade receivables**" amounted to 2,179.9 million euro (3,655.0 million euro at December 31, 2022), with a decrease of 1,475.1 million euro. The decrease in trade receivables is mainly related to the reduction in tariffs for the sale of electricity and gas observed during the year in the reference scenario.
  The "Bad debts provision", calculated in compliance with IFRS 9, amounted to 10.1 million euro and showed a net increase of 4.8 million euro compared to December 31, 2022;
- "**Trade payables**" amounted to 2,978.5 million euro and decreased by 1,628.1 million euro as a result of a reduction in commodity trading transactions with bilateral counterparties, as well as an efficient Net Working Capital management policy.

“**Other current assets/liabilities**” evidenced a net increase of 70.1 million euro, mainly due to:

- net decrease in derivative assets for 328.8 million euro;
- increase in guarantee deposits for 293.0 million euro;
- net decrease in current tax liabilities for 61.3 million euro;
- net increase in assets/liabilities for tax consolidation for 68.7 million euro;
- decrease in other current liabilities due to extraordinary transactions for 2.0 million euro;
- other decreases in other current assets for 22.1 million euro.

Shareholders’ equity

“**Shareholders’ equity**”, equal to 3,788.7 million euro, shows a positive change for a total of 185.7 million euro, net of the positive effect of extraordinary transactions of 9 million euro.

The net profit for the year generated a positive effect of 488.2 million euro, offset by the distribution of 283.2 million euro in dividends. There was also a negative effect in the valuation of cash flow hedge derivatives and IAS 19 reserves for 28.3 million euro.

The “**Net Financial Position**” at December 31, 2023 amounted to 988.2 million euro (1,095.3 million euro at end 2022). The gross debt amounted to 6,493.3 million euro, up by 649.4 million euro compared to December 31, 2022. Cash and cash equivalents amounted to 1,487.4 million euro, down 851.1 million euro. Other net financial assets and liabilities showed a positive balance of 4,017.7 million euro with a net increase of 308.8 million euro compared to December 31, 2022 net of the negative effect of extraordinary transactions for 0.6 million euro.

1

Annual financial statements

1.1

Balance sheet [(1)]

Assets

amounts in euro	Note	12 31 2023	12 31 2022
Non-current assets			
Tangible assets	1	895,732,259	900,950,676
Intangible assets	2	204,289,861	168,096,678
Shareholdings	3	4,202,373,558	4,183,541,756
Other non-current financial assets	3	574,944,016	1,361,415,880
Deferred tax assets	4	95,046,576	66,464,335
Other non-current assets	5	50,293,343	30,061,354
Total non-current assets		**6,022,679,613**	**6,710,530,679**
Current assets			
Inventories	6	173,048,742	389,282,148
Trade receivables	7	2,179,878,054	3,654,977,757
Other current assets	8	1,981,555,526	2,979,212,244
Current financial assets	9	3,478,748,427	2,365,954,047
Current tax assets	10	17,034,418	17,594,228
Cash and cash equivalents	11	1,487,378,564	2,338,464,796
Total current assets		**9,317,643,731**	**11,745,485,220**
Non-current assets held for sale	12	-	**36,920**
Total assets		**15,340,323,344**	**18,456,052,819**

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the separate financial statements are highlighted in the accounting statements and commented on in Note 35.
Significant non-recurring events and transactions in the separate financial statements are provided in Note 36 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

Equity and liabilities

amounts in euro	Note	12 31 2023	12 31 2022
Equity			
Share capital	13	1,629,110,744	1,629,110,744
(Treasury shares)		-	-
Reserves	14	1,671,334,819	1,428,348,635
Net result of the year	15	488,210,234	545,581,220
Total equity		**3,788,655,797**	**3,603,040,599**
Liabilities			
Non-current liabilities			
Non-current financial liabilities	16	5,312,613,362	5,648,397,055
Employee benefits	17	123,148,493	132,030,237
Provisions for risks, charges and liabilities for landfills	18	170,854,446	128,135,471
Other non-current liabilities	19	14,157,804	3,514,368
Total non-current liabilities		**5,620,774,105**	**5,912,077,131**
Current liabilities			
Trade payables	20	2,978,488,057	4,606,633,526
Other current liabilities	20	1,719,337,012	2,725,805,437
Current financial liabilities	21	1,180,741,454	1,494,275,653
Tax liabilities	22	52,326,919	114,220,473
Total current liabilities		**5,930,893,442**	**8,940,935,089**
Total liabilities		**11,551,667,547**	**14,853,012,220**
Liabilities associated with non-current assets held for sale		-	-
Total equity and liabilities		**15,340,323,344**	**18,456,052,819**

1.2

Income statement (1)

amounts in euro	Note	01 01 2023 12 31 2023	01 01 2022 12 31 2022
Revenues			
Revenues from the sale of goods and services		11,045,993,962	19,667,224,374
Other operating income		16,447,078	21,113,211
Total Revenues	24	**11,062,441,040**	**19,688,337,585**
Operating expenses			
Expenses for raw materials and services		9,790,846,301	18,353,989,353
Other operating expenses		657,678,357	827,713,747
Total Operating expenses	25	**10,448,524,658**	**19,181,703,100**
Labour costs	26	**195,726,649**	**174,892,072**
Gross operating income - EBITDA	27	**418,189,733**	**331,742,413**
Depreciation, amortization, provisions and write-downs	28	**182,244,787**	**162,247,131**
Net operating income - EBIT	29	**235,944,946**	**169,495,282**
Result from non-recurring transactions	30	**1,789,992**	**155,202,574**
Financial balance			
Financial income		520,117,596	469,295,089
Financial expenses		182,478,065	97,033,211
Total financial balance	31	**337,639,531**	**372,261,878**
Result before taxes		**575,374,469**	**696,959,734**
Income taxes	32	**87,353,525**	**181,087,527**
Result after taxes from operating activities		**488,020,944**	**515,872,207**
Net result from discontinued operations	33	**189,290**	**29,709,013**
Net result of the year	34	**488,210,234**	**545,581,220**

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the separate financial statements are highlighted in the accounting statements and commented on in Note 35.
Significant non-recurring events and transactions in the separate financial statements are provided in Note 36 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

1.3

Statement of comprehensive income

amounts in euro	12 31 2023	12 31 2022
Net result of the year (A)	**488,210,234**	**545,581,220**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	3,630,262	11,878,337
Tax effect of other actuarial gains/(losses) on employee benefits recognized in equity	(1,085,045)	(3,043,184)
Total actuarial gains/(losses) net of the tax effect (B)	**2,545,217**	**8,835,153**
Effective part of gains/(losses) on cash flow hedge	(42,493,663)	(2,168,825)
Tax effect of other gains/(losses)	11,573,258	1,627,801
Total other gains/(losses) net of the tax effect (C)	**(30,920,405)**	**(541,024)**
Total comprehensive result (A) + (B) + (C)	**459,835,046**	**553,875,349**

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

Cash-flow statement

amounts in euro	12 31 2023	12 31 2022
Cash and cash equivalents at the beginning of the year	**2,338,464,796**	**886,354,322**
Operating activities		
Net Result	488,210,234	545,581,220
Net income taxes	87,353,525	181,087,527
Net financial interests	(48,448,085)	35,109,376
Capital gains/expenses	(8,650,785)	(184,956,859)
Tangible assets depreciation	87,476,554	85,164,247
Intangible assets amortization	45,954,585	37,912,640
Fixed assets write-downs/disposals	69,311	213,462
Shareholdings write-up/down	206,864	-
Net provisions	48,745,428	38,956,782
Net financial interests paid	22,346,788	(28,966,375)
Net taxes paid	(209,182,250)	(270,217)
Dividends paid	(283,214,637)	(283,214,637)
Change in trade receivables	1,470,038,404	(1,500,295,038)
Change in trade payable	(1,628,145,469)	2,433,767,267
Change in inventories	216,233,405	(285,414,786)
Other changes	(49,421,032)	(557,605,259)
Cash flow from operating activities	**239,572,840**	**517,069,350**
Investment activities		
Investments in tangible assets	(72,169,720)	(39,423,862)
Investments in intangible assets and goodwill	(58,781,201)	(51,759,049)
Investments in shareholdings and securities (*)	(60,449,276)	(26,285,000)
Disposal of fixed assets and shareholdings	56,389,643	295,360,222
Cash flow from investment activities	**(135,010,554)**	**177,892,311**
Free Cash Flow	**104,562,286**	**694,961,661**
Financing activities		
Changes in financial assets		
Change in intercompany currency accounts	(310,805,455)	(1,136,406,218)
Issuance of loans	(24,000,000)	(95,091,589)
Proceeds from loans	69,530,665	61,117,657
Other changes	(61,929,118)	(14,207,479)
Total changes in financial assets (*)	**(327,203,908)**	**(1,184,587,629)**
Changes in financial liabilities		
Change in intercompany currency accounts	(77,151,826)	298,273,518
Borrowings/bonds issued	800,000,000	4,168,000,000
Repayment of borrowings/bond	(1,379,049,398)	(2,497,049,398)
Other changes	27,756,614	(27,487,678)
Total changes in financial liabilities (*)	**(628,444,610)**	**1,941,736,442**
Cash flow from financing activities	**(955,648,518)**	**757,148,813**
Change in cash and cash equivalents	**(851,086,232)**	**1,452,110,474**
Cash and cash equivalents at the end of the year	**1,487,378,564**	**2,338,464,796**

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

1.5
Statement of changes in equity

Changes from January 1, 2022 to December 31, 2022 amounts in euro	Share capital Note 13	Treasury shares	Cash Flow Hedge Note 14	Reserves Note 14	Net result of the year Note 15	Total Equity
Equity at December 31, 2021	**1,629,110,744**	**-**	**27,675,810**	**1,190,115,650**	**485,477,683**	**3,332,379,887**
Allocation of net result				485,477,683	(485,477,683)	-
Dividend distribution				(283,214,637)		(283,214,637)
IAS 19 reserve (*)				8,835,153		8,835,153
Cash flow hedge reserves (*)			(541,024)			(541,024)
Other changes						-
Net result of the year (*)					545,581,220	545,581,220
Equity at December 31, 2022	**1,629,110,744**	**-**	**27,134,786**	**1,401,213,849**	**545,581,220**	**3,603,040,599**

Changes from January 1, 2023 to December 31, 2023 amounts in euro	Share capital Note 13	Treasury shares	Cash Flow Hedge Note 14	Reserves Note 14	Net result of the year Note 15	Total Equity
Equity at December 31, 2022	**1,629,110,744**	**-**	**27,134,786**	**1,401,213,849**	**545,581,220**	**3,603,040,599**
Contribution from non-recurring transactions (***)				8,994,789		8,994,789
Allocation of net result				545,581,220	(545,581,220)	-
Dividend distribution				(283,214,637)		(283,214,637)
IAS 19 reserve (*)				2,545,217		2,545,217
Cash flow hedge reserves (*)			(30,920,405)			(30,920,405)
Other changes						-
Net result of the year (*)					488,210,234	488,210,234
Equity at December 31, 2023	**1,629,110,744**	**-**	**(3,785,619)**	**1,675,120,438**	**488,210,234**	**3,788,655,797**
Availability of Equity Reserves			D	A-B-C		
A: For share capital increase						
B: To cover losses						
C: For distribution to Shareholders - available for 1,450,823,739 euro (**)						
D: Reserves not avaliable						

(*) These form part of the statement of comprehensive income.
(**) Of which subject to tax moderate suspension equal to 124,783,022 euro, and subject to tax suspension following the realignment of Legislative Decree 104/20 for 227,529,561 euro.
(***) For further details, reference is made to the paragraph "Significant non-recurring events and transactions, pursuant to Consob Communication No. DEM/6064293 of July 28, 2006".

1.6

Balance sheet

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

Assets

amounts in euro	12 31 2023	of which Related Parties (note 35)	12 31 2022	of which Related Parties (note 35)
Non-current assets				
Tangible assets	895,732,259	32,995,630	900,950,676	35,677,650
Intangible assets	204,289,861		168,096,678	
Shareholdings	4,202,373,558	4,202,373,558	4,183,541,756	4,183,541,756
Other non-current financial assets	574,944,016	549,607,930	1,361,415,880	1,340,053,457
Deferred tax assets	95,046,576		66,464,335	
Other non-current assets	50,293,343	24,054,346	30,061,354	9,031
Total non-current assets	**6,022,679,613**		**6,710,530,679**	
Current assets				
Inventories	173,048,742		389,282,148	
Trade receivables	2,179,878,054	1,356,290,379	3,654,977,757	1,815,966,583
Other current assets	1,981,555,526	126,138,049	2,979,212,244	84,427,159
Current financial assets	3,478,748,427	3,454,198,026	2,365,954,047	2,363,842,449
Current tax assets	17,034,418		17,594,228	
Cash and cash equivalents	1,487,378,564		2,338,464,796	
Total current assets	**9,317,643,731**		**11,745,485,220**	
Non-current assets held for sale	-		**36,920**	
Total assets	**15,340,323,344**		**18,456,052,819**	

Equity and liabilities

amounts in euro	12 31 2023	of which Related Parties (note 35)	12 31 2022	of which Related Parties (note 35)
Equity				
Share capital	1,629,110,744		1,629,110,744	
(Treasury shares)	-		-	
Reserves	1,671,334,819		1,428,348,635	
Net result of the year	488,210,234		545,581,220	
Total equity	**3,788,655,797**		**3,603,040,599**	
Liabilities				
Non-current liabilities				
Non-current financial liabilities	5,312,613,362	29,482,289	5,648,397,055	32,782,940
Employee benefits	123,148,493		132,030,237	
Provisions for risks, charges and liabilities for landfills	170,854,446	3,259,747	128,135,471	2,000,000
Other non-current liabilities	14,157,804		3,514,368	
Total non-current liabilities	**5,620,774,105**		**5,912,077,131**	
Current liabilities				
Trade payables	2,978,488,057	448,830,491	4,606,633,526	697,422,175
Other current liabilities	1,719,337,012	41,105,442	2,725,805,437	68,158,051
Current financial liabilities	1,180,741,454	589,155,649	1,494,275,653	662,218,839
Tax liabilities	52,326,919		114,220,473	
Total current liabilities	**5,930,893,442**		**8,940,935,089**	
Total liabilities	**11,551,667,547**		**14,853,012,220**	
Liabilities associated with non-current assets held for sale	-		-	
Total equity and liabilities	**15,340,323,344**		**18,456,052,819**	

1.7

Income statement

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

amounts in euro	01 01 2023 12 31 2023	of which Related Parties (note 35)	01 01 2022 12 31 2022	of which Related Parties (note 35)
Revenues				
Revenues from the sale of goods and services	11,045,993,962	6,149,719,877	19,667,224,374	8,021,230,680
Other operating income	16,447,078	5,934,354	21,113,211	5,370,537
Total Revenues	**11,062,441,040**		**19,688,337,585**	
Operating expenses				
Expenses for raw materials and services	9,790,846,301	503,943,564	18,353,989,353	509,080,669
Other operating expenses	657,678,357	517,152,724	827,713,747	695,115,105
Total Operating expenses	**10,448,524,658**		**19,181,703,100**	
Labour costs	**195,726,649**	**1,240,389**	**174,892,072**	**1,766,345**
Gross operating income - EBITDA	**418,189,733**		**331,742,413**	
Depreciation, amortization, provisions and write-downs	**182,244,787**	**7,751,168**	**162,247,131**	**7,862,123**
Net operating income - EBIT	**235,944,946**		**169,495,282**	
Result from non-recurring transactions	**1,789,992**	**1,789,992**	**155,202,574**	
Financial balance				
Financial income	520,117,596	463,338,314	469,295,089	457,724,023
Financial expenses	182,478,065	10,392,082	97,033,211	397,920
Total financial balance	**337,639,531**		**372,261,878**	
Result before taxes	**575,374,469**		**696,959,734**	
Income taxes	**87,353,525**		**181,087,527**	
Result after taxes from operating activities	**488,020,944**		**515,872,207**	
Net result from discontinued operations	**189,290**		**29,709,013**	
Net result of the year	**488,210,234**		**545,581,220**	

2

Notes

2.1
General information on A2A S.p.A.

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.

In particular, as the "Parent Company", A2A S.p.A. is responsible for the guiding strategy, administration, planning and control, financial management and coordinating the activities of the A2A Group.

Therefore, Group companies benefit from administrative, tax, legal, personnel management, procurement and communication services, so as to optimize the resources that are available within the Group and to use the existing known how in a cost-effective way.

The A2A Group mainly operates in the following sectors:

- production, sale and distribution of electricity even from renewable resources;
- sale and distribution of gas;
- 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.

The separate financial statements for A2A S.p.A. are presented in euro, which is also the functional currency in the economies in which the company operates. In particular, the following notes are prepared in thousands of euro.

The separate financial statements of A2A S.p.A. at December 31, 2023, have been prepared on a going-concern basis and comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and these notes.

The separate financial statements of A2A S.p.A. at December 31, 2023 have 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 separate financial statements, the same standards used for the financial statements 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.

These explanatory notes include the supplemental information required by the Italian civil code, by Consob Resolutions no. 15519 and 15520 of July 27, 2006, and Consob communication no. 6064293 of July 28, 2006.

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 company; for details of these indicators, please see the specific paragraph Alternative Performance Measures (APM) in the Report on Operations.

These separate financial statements for the year ended December 31, 2023, were approved on March 11, 2024, by the Board of Directors, which authorized its publication, and has been audited by EY S.p.A. in accordance with their appointment by the shareholders' meeting of June 11, 2015, for the nine years from 2016 to 2024.

2.2
Financial statements

For the balance sheet, the company A2A S.p.A. has adopted a format which separates current and non-current assets and liabilities, as required by par. 60 et seq. 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/held for sale. 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 has been prepared using the indirect method as permitted by IAS 7.

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

The accounting schedules included in the annual report are in the same format as those used in the separate financial statements at December 31, 2022.

2.3

Basis of preparation

The separate financial statements as at December 31, 2023, have been prepared on a historical cost basis, with the exception of those items which under IFRS must be or can be measured at fair value, as discussed in further detail in the accounting policies.

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

2.4
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 company had no impact on the financial statements.

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 company 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 company'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 company 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 company is currently assessing the impacts of these amendments.

2.5 Accounting standards and policies

Translation of foreign currency items

The separate financial statements of A2A are presented in euro; this is also the functional currency of the economies in which the company 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:

- non-industrial buildings 14.12%
- industrial buildings 16.22%
- production plants .... 1.43% - 19.67%
- distribution networks .... 4.17% - 10.00%
- miscellaneous equipment .... 9.99% - 19.67%
- furniture and fittings 10.32%
- electrical and electronic office machines - data processing systems .... 10.00% - 25.00%
- means of transport 10.00%
- other miscellaneous assets .... 9.99% - 20.00%
- fibre optic network .... 4.99% - 10.08%
- improvements to third-party assets - buildings .... 5.24% - 46.15%

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 .... 20.00% - 33.34%
- concessions, licenses, trademarks and similar rights .... 16.67% - 33.34%
- other tangible assets .... 2.13% - 20.00%

Impairment/Reversal of tangible assets, intangible assets and equity investments

Tangible assets, intangible assets and investments 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 or impairment with an estimate of the related recoverable amount.

The recoverable amount of an asset or investment is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset or investment, 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 or investment. If the recoverable amount of an asset or investment 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.

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 company 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.

A joint venture is a contractual agreement whereby two or more parties undertake an income generating activity subject to joint control.

These investments are recorded at cost. The Company performs annual impairment tests on investments with quantitative and qualitative impairment loss indicators.

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

Financial instruments 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 entity does 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

Financial assets at amortized cost 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 company 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. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be recognized at fair value in the Income Statement upon initial recognition if this results in the elimination or significant reduction of an accounting mismatch.

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 company to the extent of its continuing involvement in the asset. In this case, the company also recognizes an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain with the company.

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 company'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 company actually hedges and the quantity of the hedging instrument that the company 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 recognised 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 (2.2)” .

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 an 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.

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 company 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, 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 (Regulatory Authority for Energy Networks and Environment).

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 for the year include income from the sale of electricity and gas, including through sales on the IPEX markets, from the sale of environmental certificates and from the provision of administrative, fiscal, legal, management and technical services, as well as incentives on net production from renewable sources and rental income. It should be noted that the processes and methods for evaluating and determining these types of revenue do not require the use of complex assumptions.

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.

Decommissioning provisions

Decommissioning provisions include charges for costs of dismantling and recovery of production sites related to hydroelectric plants.

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 company. 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.

2.6
Notes to the balance sheet

The Balance Sheet of A2A S.p.A. includes, with respect to the situation at December 31, 2022, the effect of the following non-recurring transactions:

- acquisition of the "Asset Management" business unit effective June 1, 2023;
- transfer of the "Group Shared Services & Real Estate" business unit to A2A Services & Real Estate S.p.A. effective October 1, 2023.

For details of the balance sheet effects of extraordinary transactions in 2023, see note 36) Significant non-recurring events and transactions, pursuant to Consob Communication no. DEM/6064293 of July 28, 2006.

Assets

Non-current assets

1) Tangible assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes						Balance at 12 31 2023
			Capex	Other changes	Disposals net of prov.	Write-down/ Reversal	Amort.	Total changes	
Land	28,702	-	6	-	(1,963)	-	-	(1,957)	26,745
Buildings	151,106	-	1,926	966	(2,575)	-	(8,020)	(7,703)	143,403
Plant and machinery	584,140	-	1,626	11,927	(685)	-	(59,449)	(46,581)	537,559
Industrial and commercial equipment	4,864	-	671	-	-	-	(848)	(177)	4,687
Other assets	19,014	-	5,031	167	-	-	(4,733)	465	19,479
Construction in progress and advances	55,563	-	62,823	(13,032)	(30)	(68)	-	49,693	105,256
Leasehold improvements	624	-	87	-	-	-	(173)	(86)	538
Assets for rights of use	56,938	-	-	15,381	-	-	(14,254)	1,127	58,065
Total tangible assets	**900,951**	**-**	**72,170**	**15,409**	**(5,253)**	**(68)**	**(87,477)**	**(5,219)**	**895,732**
Historical Cost	2,912,717	-	72,170	6,023	(11,659)	(68)	-	66,466	**2,979,183**
Accumulated depreciation	(1,659,278)	-	-	9,386	6,201	-	(87,477)	(71,890)	**(1,731,168)**
Write-downs	(352,488)	-	-	-	205	-	-	205	**(352,283)**

At December 31, 2023, "Tangible assets" amounted to 895,732 thousand euro (900,951 thousand euro in the previous year) and show a decrease of 5,219 thousand euro resulting from the following transactions:

- amortization for the period for 87,477 thousand euro;
- capex for 72,170 thousand euro;
- other positive changes of 15,409 thousand euro due, for 15,381 thousand euro, to the increase in assets for rights of use in application of IFRS16 and for 362 euro thousand to the recognition of the decommissioning provision, mainly for the Calabria area; other negative changes of 334 euro thousand;
- disposals of assets, net of accumulated depreciation, for 5,253 thousand euro due to the sale of land in the Bovisa area in the Municipality of Milan, the sale of land and buildings in Piazza Po to Unareti, and the sale of land, buildings and plants in Valtellina to E-distribuzione S.p.A.;
- write-downs for the period of 68 thousand euro.

Capex during the period refer to:

- "Land" for 6 thousand euro;
- "Buildings" for a total amount of 1,926 thousand euro.
  In detail, they refer: for 293 thousand euro to various interventions on the buildings in Via della Signora, Piazza Trento, Bovisa, Caracciolo, Orobia, Piazza Po, Canavese, Olgettina department in Milan; for 1,040 thousand euro to investments in the office in via Lamarmora in Brescia; for 337 thousand euro to various interventions of the Grosio building; for 149 thousand euro to various interventions for the Somplago plant building and for 107 thousand euro other interventions on buildings;
- "Plant and machinery" for 1,626 thousand euro.
  In particular, they refer: to interventions for 517 thousand euro on the power plants of the Calabria Unit; for 498 thousand euro on the power plants of the Valtellina Unit; for 431 thousand euro on the power plants of the Mese and Udine Unit; for 180 thousand euro to plant automation interventions;
- "Industrial and commercial equipment" for 671 thousand euro;
- "Other assets" for 5,031 thousand euro; in detail, 684 thousand euro refer to IT equipment in the "New Data Center"; for 3,658 thousand euro for LAN and WAN network equipment and fixed and mobile telephone equipment; for 498 thousand euro for furniture and furnishings in particular for the Vobarno headquarters; for 78 thousand euro for charging infrastructure for electric vehicles in the Milan and Brescia offices; for 42 thousand euro for means of transport for the Calabria area; for other miscellaneous assets for 13 thousand euro for the Lodi office; for 58 thousand euro for goods worth less than 516 euro;
- "Construction in progress and advances" for an amount of 62,823 thousand euro;
- "Leasehold improvements" for 87 thousand euro.

"Tangible assets" include "Construction in progress and advances" for 105,256 thousand euro (55,563 thousand euro at December 31, 2022), presenting an increase of 49,693 thousand euro resulting from the counter effects of the following items:

- the increase of 62,823 thousand euro is mainly attributable to: for 45,306 thousand euro to works on buildings (mainly on the area of Piazza Trento in Milan, on the headquarters in via Lamarmora in Brescia, on the building of Premadio 2 and Grosio); for 17,161 thousand euro to interventions on plant and machinery, mainly on the hydroelectric plants of the Calabria Unit (6,220 thousand euro), on the hydroelectric plants of the Mese and Udine Unit (6,248 thousand euro), on the plants of the Valtellina Unit (4,254 thousand euro) and to the improvement of other plants (439 thousand euro);
- the decrease due to the entry into operation amounted to 13,032 thousand euro and is attributable for 11,945 thousand euro to interventions on the production plants (of which 7,627 thousand euro on the Mese and Udine plants, 2,582 thousand euro for the hydroelectric plants of Calabria, 1,555 thousand euro on the plants in Valtellina as well as 181 thousand euro on other minor plants), for 679 thousand euro to interventions on the buildings of the Calabria Unit, for 241 thousand euro to the completion of works mainly relating to the buildings of the Mese and Valtellina plants, 80 thousand euro for improvements on the buildings of the Udine plants and for 7 thousand euro to other works relating to other buildings, as well as 80 thousand euro relating to other assets;
- the decrease of 68 thousand euro following the write-down of assets no longer required for the Company's activities.
- the decrease of 30 thousand euro due to the sale of a building to E-distribuzione;

Tangible assets include "Assets for rights of use" totaling 58,065 thousand euro (56,938 thousand euro at December 31, 2022), recognized in accordance with IFRS 16 and for which the outstanding payable to lessors at December 31, 2023 amounted to 76,343 thousand euro (78,802 thousand at December 31, 2022). Below is a breakdown of "Assets for rights of use" deriving from operating and financial leases at December 31, 2023.

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes				Balance at 12 31 2023
			Increases	Other changes	Amort.	Total changes	
Land	52	-	-	(9)	(8)	(17)	35
Buildings	16,462	-	5,640	3,311	(5,816)	3,135	19,597
Plant and machinery	33,345	-	-	3,466	(5,890)	(2,424)	30,921
Industrial and commercial equipment	25	-	-	-	(9)	(9)	16
Other assets	73	-	-	-	(74)	(74)	(1)
Vehicles	6,981	-	3,369	(396)	(2,457)	516	7,497
Total	**56,938**	**-**	**9,009**	**6,372**	**(14,254)**	**1,127**	**58,065**

It is specified that the Company 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

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes				Balance at 12 31 2023
			Capex	Other changes	Amort.	Total changes	
Industrial patents and intellectual property rights	20,643	-	6,365	4,505	(12,348)	(1,478)	19,165
Concessions, licenses, trademarks and similar rights	52,746	-	40,946	14,462	(33,171)	22,237	74,983
Goodwill	65,144	1,515	-	-	-	-	66,659
Assets in progress	19,129	-	11,417	(19,032)	-	(7,615)	11,514
Other intangible assets	10,434	-	55	21,916	(436)	21,535	31,969
Total intangible assets	**168,096**	**1,515**	**58,783**	**21,851**	**(45,955)**	**34,679**	**204,290**

"Intangible assets" amounted to 204,290 thousand euro (168,096 thousand euro at December 31, 2022) and show, net of the effect of non-recurring transactions positive for 1,515 thousand euro, an increase of 34,679 thousand euro resulting from the following transactions:

- capex for 58,783 thousand euro;
- amortization for 45,955 thousand euro accounted for in the period;
- other positive changes for 21,851 thousand euro due mainly to the increase in environmental certificates of the industrial portfolio.

More specifically, capex during the period refer to the following:

- 40,946 thousand euro for "concessions, licenses, trademarks and similar rights" related to the purchase of software;
- 11,417 thousand euro for "intangible assets under construction";
- 6,365 thousand euro for "industrial patents and intellectual property rights" mainly concerning the development of information technology projects;
- 55 thousand euro for "other intangible assets".

Included in the total balance of "Intangible assets" are "Assets in progress" which amounted to 11,514 thousand euro (19,129 thousand euro as at December 31, 2022), resulting in a decrease of 7,615 thousand euro due to the combined effect of the following:

- the decrease of 18,990 thousand euro due to the transition to use of software and computer applications;
- the increase of 11,417 thousand euro mainly relating to the development of new IT projects;
- the decrease of 42 thousand euro due to other changes.

Goodwill

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes						Balance at 12 31 2023
			Capex	Other changes	Disp. net of prov.	Write-downs /Reversal	Amort.	Total changes	
Goodwill	65,144	1,515	-	-	-	-	-	-	66,659
Total goodwill	**65,144**	**1,515**	**-**	**-**	**-**	**-**	**-**	**-**	**66,659**

Goodwill equal to 66,659 thousand euro at December 31, 2023 was formed as a result of non-recurring transactions with third parties.

Said goodwill has been allocated to the following CGUs, which for A2A S.p.A. correspond to investments in subsidiaries: "A2A Reti Gas" for 5,215 thousand euro, "A2A Gas" for 6,800 thousand euro, "A2A Calore" for 18,000 thousand euro and "A2A Ambiente" for 36,644 thousand euro.

Under IAS 36 goodwill, an intangible asset with an indefinite useful life, is not amortized systematically but tested at least once a year ("Impairment Test"). As goodwill neither generates independent cash flow nor can it be sold separately, IAS 36 calls for a secondary audit of its recoverable amount, determining cash flows generated by a set of assets that constitute the business to which it belongs, i.e. the Cash Generating Unit (CGU).

The verification of the recoverability of the recognized value, carried out as part of the broader Impairment Test activity of the various CGUs for the Consolidated Financial Statements, which includes the goodwill in question, as well as specific sensitivity analyzes carried out, confirmed recoverability thereof.

The parameters used for the purposes of the Impairment Test are set out in note 2 of the Consolidated Annual Financial Report, to which reference is made for further details.

3) Shareholdings and other non-current financial assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Shareholdings in subsidiaries	4,182,665	804	13,533	4,197,002		
Shareholdings in affiliates	877	-	4,494	5,371		
Other non-current financial assets	1,361,416	-	(786,472)	574,944	1,335,880	549,704
Total shareholdings and other non-current financial assets	**5,544,958**	**804**	**(768,445)**	**4,777,317**	**1,335,880**	**549,704**

Shareholdings in subsidiaries

"Shareholdings in subsidiaries" amounted to 4,197,002 thousand euro (4,182,665 thousand euro at December 31, 2022).

The following table shows the changes in the item:

Shareholdings in subsidiaries thousands of euro	Total
Balance at 12 31 2022	**4,182,665**
Effect of non-recurring transactions	804
Changes:	
- acquisitions and capital increases	56,250
- sales and decreases	(40,010)
- reversals	-
- write-downs	(207)
- reclassifications	-
- other changes	(2,500)
Total changes	**13,533**
Balance at 12 31 2023	**4,197,002**

The value of shareholdings in subsidiaries, net of the effect of non-recurring transactions for 804 thousand euro, a total increase of 13,533 thousand euro compared to the previous year-end due to:

- establishment of the company A2A Services & Real Estate S.p.A. (formerly A2A Servizi S.r.l.) for 50 thousand euro and subsequent contribution of the "Group Shared Services & Real Estate" business unit for 804 thousand euro;
- 50,000 thousand euro increase in the shareholding in A2A Rinnovabili S.p.A. following the conversion of the first tranche of part of the financial receivable from the company into equity of the same;
- increase of 6,200 thousand euro relating to the capital contribution subscribed in the investee company A2A E-MOBILITY S.r.l.;
- sale for 40,010 thousand euro of the investment in Yada Energia S.r.l. to the subsidiary A2A Energia S.p.A.;
- write-down of 207 thousand euro and collection of 2,500 thousand euro related to the investment in Proaris S.r.l. in liquidation pending the conclusion of its liquidation process.

Further information regarding movements involving shareholdings in subsidiary companies may be found within annexes 1/a and 2/a to compare their book value and corresponding portions of net assets.

Shareholdings in affiliates and joint ventures

"Shareholdings in affiliates and joint ventures" amounted to 5,371 thousand euro (877 thousand euro as at December 31, 2022).

The following table shows the changes in the item:

Shareholdings in affiliates thousands of euro	Total
Balance at 12 31 2022	**877**
Changes:	
- acquisitions and capital increases	225
- reclassifications	4,269
Total changes	**4,494**
Balance at 12 31 2023	**5,371**

The value of shareholdings in affiliated companies shows an overall increase of 4,494 thousand euro and refers:

- for 4,269 thousand euro to the reclassification of the shareholding in Blugas Infrastrutture S.r.l. from the item "Other non-current financial assets";
- 225 thousand euro for the purchase of the 33% shareholding in Crit S.c.a.r.l. from the subsidiary A2A Smart City S.p.A..

Further details regarding shareholdings in affiliates may be found in annexes 1/b and 2/b.

Impairment of shareholdings in subsidiaries, associates and joint ventures

The recoverable value of shareholdings has been measured based on the present value of the corresponding expected net cash flows attributable to the shareholdings of A2A S.p.A.. The cash flows used are in line with those used for the Impairment Test of the CGU for the consolidated financial statements. The same applies to the methodological approach and discount rates adopted further detailed in the Consolidated Annual Financial Report (note 2).

It shall be recalled that the Impairment Test is carried out for all shareholdings which have a carrying value higher than the corresponding fraction of shareholders' equity of competence and/or in the presence of specific impairment indicators.

In the year under review, the results of the Impairment Test performed did not lead to any impairment/revaluation at December 31, 2023.

Other non-current financial assets

"Other non-current financial assets" amounted to 574,944 thousand euro (1,361,416 thousand euro at December 31, 2022), of which:

- for 542,131 thousand euro (1,327,281 thousand euro at December 31, 2022) to financial assets with related parties. This item relates to loans to subsidiaries, the decrease of which was mainly due to the reclassification of the short-term portion of these loans to "Current financial assets", repayments made during the year, net of new disbursements. In the previous year, this item included 4,517 thousand euro, which referred to financial assets with third parties relating to an interest-free loan granted to the company Sinergie Italiane S.r.l. in liquidation closed during the financial year under review;
- other securities for 96 thousand euro, unchanged compared to the previous year, relating to other government securities;
- financial assets measured at fair value through profit or loss (FVTPL) for 888 thousand euro (5,157 thousand euro at December 31, 2022), relating to minority shareholdings, the decrease of which, equal to 4,269 thousand euro, derives from the reclassification under the item "Shareholdings in affiliates and joint ventures" of the shareholding in Blugas Infrastrutture S.r.l.;
- financial receivables related to rights of use in accordance with IFRS 16 (subleases) from subsidiaries for 7,477 thousand euro (8,503 thousand euro at December 31, 2022);
- other financial assets of 24,352 thousand euro (20,379 thousand euro at December 31, 2022) relating to shareholdings in innovative start-ups through corporate venture capital projects.

4) Deferred tax assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	**Balance at 12 31 2023**
Deferred tax assets	**66,464**	**(779)**	**29,362**	**95,047**

The item, equal to 95,047 thousand euro, includes the net effect, as detailed in the table below to which reference is made, of deferred tax liabilities and deferred tax assets as per corporate income tax (IRES) and regional tax (IRAP) as well as provisions made solely for tax purposes, net of the negative effect of extraordinary transactions of 779 thousand euro.

For IRES purposes, the recoverability of "Deferred tax assets" recorded in the financial statements is considered likely, as the future Business Plans of the A2A Group envisage taxable income sufficient to use the deferred tax assets on a consolidated basis in accordance with articles 117-129 of Presidential Decree 917/1986, in which the Company acts as consolidating company.

For IRAP purposes, the recoverability of "Deferred tax assets" recorded in the financial statements was assessed on the basis of the Company's future Business Plan: for the years of the plan between 2024 and 2028, IRAP taxable income is expected to be sufficient to absorb the IRAP temporary differences, and therefore the related IRAP deferred tax assets and liabilities were maintained.

Deferred tax assets are calculated using the tax rate applicable at the time of repayment.

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.

This item is detailed within the table below:

thousands of euro	**Balance at 12 31 2023**	Balance at 12 31 2022
Value differences of tangible assets	53,819	70,448
Value differences of intangible assets	3,040	3,109
Other deferred tax liabilities	3,858	3,969
Deferred tax liabilities (A)	**60,717**	**77,526**
Taxed risk provisions	64,301	51,749
Amortization, depreciation and write-downs	38,947	44,110
Bad debts provision	2,029	2,029
Provisions and employee benefits	17,825	18,912
Goodwill	31,124	36,858
Other deferred tax assets	1,538	(9,668)
Deferred tax assets (B)	**155,764**	**143,990**
Net effect deferred tax assets (B-A)	**95,047**	**66,464**

For further details and information, please refer to the item "Income/expenses for income tax" on the income statement.

5) Other non-current assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Non-current derivatives	7,168	-	(7,168)	-	7,168	-
Other non-current assets	22,893	-	27,400	50,293	-	-
Total other non-current assets	**30,061**	**-**	**20,232**	**50,293**	**7,168**	**-**

“Other non-current assets” amounted to 50,293 thousand euro (30,061 thousand euro at December 31, 2022), presenting an increase of 20,232 thousand euro over the previous year and consisting of:

- “Other non-current assets” in the amount of 50,293 thousand euro (22,893 thousand euro at December 31, 2022) mainly related to security deposits (37,609 thousand euro) from both third parties and the Municipality of Milan, as well as receivables from the tax authorities for tax benefits under building bonuses due beyond one year (12,500 thousand euro);
- “Non-current derivatives” in the amount of zero thousand euro, while in the previous year, they amounted to 7,168 thousand euro, and referred to the fair value valuation of the hedging derivative relative to the loan in yen maturing in 2036, which instead showed a debit balance at December 31, 2023.

Current assets

6) Inventories

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023
- Materials and spare parts	1,273	-	24	1,297
- Material obsolescence provision	(685)	-	(49)	(734)
Total materials	**588**	**-**	**(25)**	**563**
- Fuel	385,406	-	(215,132)	170,274
Total raw and ancillary materials and consumables	**385,994**	**-**	**(215,157)**	**170,837**
Fuel at third parties	**3,288**	**-**	**(1,076)**	**2,212**
Total inventories	**389,282**	**-**	**(216,233)**	**173,049**

At December 31, 2023, inventories amounted to 173,049 thousand euro (389,282 thousand euro at December 31, 2022); changes for the period are negative for 216,233 thousand euro, and refer to the decrease in gas and coal inventories compared to the end of the previous year, which mainly reflects the decreasing trend observed during the year in the reference scenario.

Raw and ancillary materials and consumables consist of inventories of:

- materials amounting to 563 thousand euro, net of relative provisions for obsolescence for 734 thousand euro;
- fuels, amounting to 170,274 thousand euro, which include gas inventories arising from the sale and storage of gas, as well as inventories of fuels for the production of electricity;
- fuels at third parties, for 2,212 thousand euro, relating to coal at the warehouse in Koper that has not cleared customs in Italy yet.

7) Trade receivables

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023
Trade receivables – invoices issued	226,788	-	(27,109)	199,679
Trade receivables – invoices to be issued	3,433,469	-	(1,443,156)	1,990,313
Bad debts provision	(5,279)	-	(4,835)	(10,114)
Total trade receivables	**3,654,978**	**-**	**(1,475,100)**	**2,179,878**

At December 31, 2023, trade receivables amounted to 2,179,878 thousand euro (3,654,978 thousand euro at December 31, 2022) and decreased by 1,475,100 thousand euro. These receivables include:

- for 823,591 thousand euro receivables from customers (1,839,015 thousand euro at December 31, 2022);
- for 1,356,287 thousand euro receivables from subsidiaries, controlling entities and associates (1,815,964 thousand euro at December 31, 2022).

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

It should be noted that the Company occasionally assigns receivables without recourse and has no revolving factoring programs in place.

At December 31, 2023, the bad debt provision calculated in accordance with IFRS 9 amounted to 10,114 thousand euro, an increase of 4,835 thousand euro. This provision is considered adequate to cover the risks to which it relates.

The detailed changes in the provisions to adjust the values of receivables are outlined in the following table:

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Provisions	Uses	Other changes	Balance at 12 31 2023
Bad debts provision	**5,279**	**-**	**5,054**	**(219)**	**-**	**10,114**

The following is the aging of trade receivables:

thousands of euro	12 31 2022	12 31 2023
Trade receivables of which:	**3,654,978**	**2,179,878**
Current	**121,774**	**170,144**
Past due of which:	**105,014**	**29,535**
- Past due up to 30 days	98,919	897
- Past due from 31 to 180 days	2,344	16,167
- Past due from 181 to 365 days	724	9,325
- Past due over 365 days	3,027	3,146
Invoices to be issued	**3,433,469**	**1,990,313**
Bad debts provision	**(5,279)**	**(10,114)**

8) Other current assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Current derivatives	2,861,586	-	(1,336,303)	1,525,283	-	-
Other current assets of which:	117,626	-	338,646	456,272		
- advances to suppliers	761	-	306	1,067		
- receivables from employees	175	-	(11)	164		
- tax receivables	2,672	-	9,468	12,140		
- receivables from subsidiaries for tax consolidation	84,442	-	41,691	126,133		
- receivables related to future years	11,787	-	1,959	13,746		
- receivables from social security entities	727	-	(19)	708		
- receivables from stamp office	123	-	-	123		
- receivables for damage compensation	148	-	(147)	1		
- receivables for security deposits	3,745	-	292,986	296,731		
- other sundry receivables	13,046	-	(7,587)	5,459		
Total other current assets	**2,979,212**	**-**	**(997,657)**	**1,981,555**	**-**	**-**

"Other current assets" presented a balance of 1,981,555 thousand euro (2,979,212 thousand euro as at December 31, 2022), a decrease of 997,657 thousand euro with respect to the previous year.

"Current derivatives" amounting to 1,525,283 thousand euro (2,861,586 thousand euro at December 31, 2022) refer to the fair value valuation of commodity derivatives at the end of the year under review. 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.

"Advances to suppliers" of 1,067 thousand euro (761 thousand euro at December 31, 2022) refer to prepayments on professional services.

"Tax receivables", which amounted to 12,140 thousand euro (2,672 thousand euro at December 31, 2022), refer to receivables from the tax authorities for tax benefits under building bonuses due within one year (4,422 thousand euro), receivables from the tax authorities for excise duties (3,538 thousand euro), tax credits from the tax authorities for investments in new capital goods as provided for by Art. 1, paragraph 1051 - 1063 of L. 178/2020, as amended by Art. 1, paragraph 44 of Law 234/2021 (3,275 thousand euro), to a tax credit towards the Treasury for research and development activities recognized for the purposes provided for in Article 1, paragraphs 198 to 206, of Law no. 160 of 27 December 2019, as amended, and by the Decree of May 26, 2020 issued by the Ministry of Economic Development (513 thousand euro), to VAT credits (284 thousand euro), to a tax credit towards the Treasury for sanitization and the purchase of protective devices pursuant to Art. 125 of LD 34/2020 - Decreto Rilancio (Relaunch Decree) (26 thousand euro), as well as other receivables for 82 thousand euro.

"Receivables from subsidiaries for tax consolidation" and Group VAT amounted to 126,133 thousand euro (84,442 thousand euro at December 31, 2022).

"Receivables for guarantee deposits" of 296,731 thousand euro (3,745 thousand euro at December 31, 2022) mainly refer to the deposit with the Electricity Market Operator (GSE) for operations on the electricity market as well as to the deposit with Snam Rete gas to cover gas balancing.

Other sundry receivables include receivables from ARERA for the repayment of a portion of the 2023 contribution as per Determination No. 94/DAGR/2023, as well as receivables related to the sale of the shareholding in Ge.S.I. S.r.l..

9) Current financial assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Other financial assets	2,112	-	22,438	24,550	2,112	24,550
Other financial assets from related parties	2,363,842	(586)	1,090,942	3,454,198	2,363,842	3,454,198
Total current financial assets	**2,365,954**	**(586)**	**1,113,380**	**3,478,748**	**2,365,954**	**3,478,748**

"Current financial assets" amounted to 3,478,748 thousand euro (2,365,954 thousand euro at December 31, 2022) and show, net of the negative effect of non-recurring transactions for 586 thousand euro, an increase of 1,113,380 thousand euro and refer:

- for 3,477,839 thousand euro to "Loans and receivables originated by HTC (Hold to Collect)" (2,365,048 thousand euro at December 31, 2022) of which:
  - from subsidiaries 3,453,289 thousand euro (2,362,936 thousand euro at December 31, 2022) for both the balance of intra-group current accounts on which interest rates are applied, at market conditions, with a variable Euribor basis with specific spreads for companies and for the current portion of loans granted to subsidiaries;
  - from third parties 24,550 thousand euro (2,112 thousand euro at December 31, 2022) related to financial receivables with third parties, in particular to credits for interest income accrued on bank deposits, as well as to the residual credit with Seca S.p.A. shareholders for payment of the consideration for the sale of the shareholding;
- for 909 thousand euro "IFRS 16 financial receivables (subleases)" from subsidiaries (906 thousand euro at December 31, 2022).

10) Current tax assets

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023
Current tax assets	17,594	-	(560)	17,034

At December 31, 2023, this item amounted to 17,034 thousand euro (17,594 thousand euro at December 31, 2022) and refers to IRAP receivables (9,681 thousand euro), as well as to IRES receivables (6,054 thousand euro), for amounts requested for reimbursement, as well as the remaining credit for Robin Tax (1,299 thousand euro) paid in previous years and that will be recovered in subsequent years.

11) Cash and cash equivalents

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Cash and cash equivalents	2,338,465	-	(851,087)	1,487,378	2,338,465	1,487,378

“Cash and cash equivalents” at December 31, 2023 amounted to 1,487,378 thousand euro (2,338,465 thousand euro at December 31, 2022) with a negative change of 851,087 thousand euro compared to the end of the previous year, which mainly resulted from the payment of one-off taxes related to the 2022 extra profit taxation and the early repayment of three bank loans for 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 189,776 thousand euro, related to trading on commodity derivative platforms.

Bank deposits include accrued interest not yet credited by the end of the period.

12) Non-current assets held for sale

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Non-current assets held for sale	37	-	(37)	-	-	-

The item “Non-current assets held for sale” at December 31, 2023 had no value, while in the previous year, it amounted to 37 thousand euro and referred to the residual portion of the shareholding in the company Sviluppo Turistico Lago d’Iseo S.p.A., reclassified to the item “Non-current assets held for sale” at December 31, 2021, collected during the year under review.

Equity and liabilities

Equity

Equity, which at December 31, 2023 amounted to 3,788,656 thousand euro (3,603,041 thousand euro at December 31, 2022), is detailed in the following table:

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023
Shareholders' equity				
Share capital	1,629,111	-	-	1,629,111
(Treasury shares)	-	-	-	-
Reserves	1,428,349	8,995	233,991	1,671,335
Result of the year	545,581	-	(57,371)	488,210
Total shareholders' equity	**3,603,041**	**8,995**	**176,620**	**3,788,656**

13) Share capital

At December 31, 2023, the "Share capital" amounted to 1,629,111 thousand euro and is comprised of 3,132,905,277 ordinary shares with a unitary value of 0.52 euro each.

14) Reserves

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023
Reserves	**1,428,349**	**8,995**	**233,991**	**1,671,335**
Change in the fair value of cash flow hedge derivatives and Bond fair value	37,965	-	(42,494)	(4,529)
Tax effect	(10,830)	-	11,573	743
Reserves of cash flow hedges and fair value bonds	**27,135**	**-**	**(30,921)**	**(3,786)**
Change in the IAS 19 Revised reserve - Employee Benefits	(62,215)	-	3,631	(58,584)
Tax effect	18,451	-	(1,085)	17,366
IAS 19 Revised reserve - Employee Benefits	**(43,764)**	**-**	**2,546**	**(41,218)**

"Reserves", which at December 31, 2023 amounted to 1,671,335 thousand euro (1,428,349 thousand euro at December 31, 2022), were positive for 233,991 thousand euro, net of the effect of non-recurring transactions positive for 8,995 thousand euro, mainly due to the allocation of the profit for the year 2022, net of dividends distributed.

This item includes the following unavailable reserves:

- for 63,994 thousand euro the reserve arising from the corporate separation occurred in 1999. Such reserve will be available for distribution in portions in the following years based on the amortization carried out by the receiving company on the higher values determining capital gains from contribution;
- 3,786 thousand euro for the negative cash flow hedge reserve including the fair value of hedging derivatives and bonds in foreign currency, net of tax;
- for 41,218 thousand euro, the negative reserve arising from the adoption of IAS 19 Revised - Employee Benefits which requires actuarial profits and losses to be recognized directly in an equity reserve, net of the tax effect.
- for 462 thousand euro, the negative available-for-sale reserve including the fair value of certain available-for-sale shareholdings net of the tax effect;
- for 333,618 thousand euro, the legal reserve, whose increase of 27,279 thousand euro compared with the previous year derives from the allocation of profit for the previous year.

It shall be noted that in 2021, the company opted, pursuant to L.D. 104/2020, for the realignment of differences between the higher statutory value and the lower tax value of tangible assets via payment of a substitute tax equal to 3% of the realigned value in three annual installments. The company's reserves are therefore subject to a tax suspension restriction amounting to 227,530 thousand euro, calculated as the difference between the realigned value and the substitute tax due. The distribution of these reserves or their allocation to uses other than loss coverage will result in taxation of the same.

The additional reserves and the profits that in case of distribution must be considered as IRES tax suspension amounted to 19,659 thousand euro.

It should be noted that during 2023, dividends amounting to 283,215 thousand euro corresponding to 0.0904 euro per share were distributed, as approved by the shareholders' meeting on April 28, 2023.

15) Result of the year

Positive result for 488,210 thousand euro.

Liabilities

Non-current liabilities

16) Non-current financial liabilities

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Non-convertible bonds	4,611,550	-	188,179	4,799,729	4,611,550	4,799,729
Payables to banks	775,717	-	(319,142)	456,575	775,717	456,575
Payables to other lenders	199,869	-	(199,869)	-	199,869	-
Non-current financial payables for rights of use to third parties	28,478	-	(1,651)	26,827	28,478	26,827
Non-current financial payables for rights of use to related parties	32,783	-	(3,301)	29,482	32,783	29,482
Total non-current financial liabilities	**5,648,397**	**-**	**(335,784)**	**5,312,613**	**5,648,397**	**5,312,613**

”Non-current financial liabilities” amounted to 5,312,613 thousand euro (5,648,397 thousand euro at December 31, 2022), reflecting a decrease of 335,784 thousand euro.

“Non-convertible bonds” amounting to 4,799,729 thousand euro (4,611,550 thousand euro at December 31, 2022) relate to the following bonds, which are accounted for at amortized cost:

- 299,491 thousand euro, maturing in February 2025 and coupon of 1.75%, the nominal value of which is equal to 300,000 thousand euro;
- 297,884 thousand euro, maturing in October 2027 and coupon of 1.625%, the nominal value of which is equal to 300,000 thousand euro;
- 89,238 thousand 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;
- 396,134 thousand euro, maturing in July 2029 and coupon of 1.00%, the nominal value of which is equal to 400,000 thousand euro;
- 496,501 thousand euro, maturing in July 2031 and coupon of 0.625%, the nominal value of which is equal to 500,000 thousand euro;
- 494,364 thousand euro, maturing in October 2032 and coupon of 0.625%, the nominal value of which is equal to 500,000 thousand euro;
- 495,073 thousand euro, maturing in November 2033 and coupon of 1%, the nominal value of which is equal to 500,000 thousand euro;
- 496,119 thousand euro, maturing in March 2028 and coupon of 1.5%, the nominal value of which is equal to 500,000 thousand euro;
- 596,889 thousand euro, maturing in June 2026 and coupon of 2.5%, the nominal value of which is equal to 600,000 thousand euro;
- 645,875 thousand euro, maturing in September 2030 and coupon of 4.5%, the nominal value of which is equal to 650,000 thousand euro;
- 492,161 thousand euro, maturing in September 2034 and coupon of 4.375%, the nominal value of which is equal to 500,000 thousand euro.

The increase in the non-current component of “Non-convertible bonds” of 188,179 thousand 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.

Non-current "Payables to banks" amounted to 456,575 thousand euro (775,717 thousand euro at December 31, 2022). This item recognized the principal portion of loans granted by the European Investment Bank for 457,149 thousand euro. The net decrease of 319,142 thousand euro at the end of the 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 100,000 thousand euro) in order to optimize the use of liquidity with a consequent benefit on financial expenses.

"Payables to other lenders" had a balance of zero, whereas at December 31, 2022, they amounted to 199,869 thousand euro and referred to a loan granted by Cassa Depositi e Prestiti that was repaid in advance during the year with the aim of optimizing the use of liquidity.

"Financial payables for non-current rights of use", in application of IFRS 16 for leases previously classified as operating, both to third parties and related parties, amounted to 56,309 thousand euro, with a decrease of 4,952 thousand euro compared to the end of the previous year.

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, including the portion falling due in the next 12 months. For listed debt instruments, the fair value is determined using stock prices, 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 year, including the credit spreads of A2A S.p.A..

thousands of euro	Nominal value	Book value	Current portion	Non-current portion	Fair value
Bonds	5,148,000	5,156,942	357,213	4,799,729	4,779,754
Loans Loans and Other lenders	676,719	678,220	221,645	456,575	622,729
Total	**5,824,719**	**5,835,162**	**578,858**	**5,256,304**	**5,402,483**

17) Employee benefits

"Employee Benefits" amounted to 123,148 thousand euro (132,030 thousand euro at December 31, 2022) with changes as follows:

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Accruals	Uses	Other changes	**Balance at 12 31 2023**
Employee leaving entitlement (TFR)	19,025	(3,369)	7,899	(1,392)	(7,070)	15,093
Employee benefits	113,005	(1,129)	-	(5,221)	1,400	108,055
Total employee benefits	**132,030**	**(4,498)**	**7,899**	**(6,613)**	**(5,670)**	**123,148**

The change in the item, net of the effect of non-recurring transactions negative for 4,498 thousand euro, is attributable for 7,899 thousand euro to provisions for the period, for 6,613 thousand euro to the decrease due to the disbursements of the year and for 5,670 thousand euro to the net decrease referred to actuarial valuations, deriving from the combined effect of the increase for interest cost equal to 4,742 thousand euro, of the decrease for actuarial gains/losses equal to 3,630 thousand euro net of other negative changes for 6,782 thousand euro.

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

thousands 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	5.0%	5.0%
Annual TFR advance frequencies	2.0%	2.0%

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, Gas discount and Loyalty Reward) and RG48 (TFR) 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.

As required by IAS 19, the sensitivity for post-employment employee benefit obligations is outlined below:

thousands of euro	Turnover rate +1%	Turnover rate -1%	Inflation rate +0.25%	Inflation rate -0.25%	Discount rate +0.25%	Discount rate -0.25%
TFR	15,100	15,056	15,212	14,948	14,872	15,291

thousands of euro	Discount rate +0.25%	Discount rate -0.25%	Mortality table increased by 10%	Mortality table decreased by 10%
Premungas	10,490	10,774	10,097	11,225
Electricity and gas discount	91,999	97,370	97,541	91,957
Additional months	1,572	1,631		

18) Provisions for risks, charges and liabilities for landfills

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Provisions	Releases	Uses	Other changes	Balance at 12 31 2023
Decommissioning provisions	4,084	-	-	(18)	(19)	498	4,545
Tax provisions	2,613	-	1	(584)	-	-	2,030
Personnel lawsuits and disputes provisions	5,958	-	172	(144)	(37)	-	5,949
Other risk provisions	115,480	(1,501)	45,655	(1,398)	(5,332)	5,427	158,331
Provisions for risks, charges and liabilities for landfills	**128,135**	**(1,501)**	**45,828**	**(2,144)**	**(5,388)**	**5,925**	**170,855**

"Decommissioning provisions", which amounted to 4,545 thousand euro, include charges for costs of dismantling and recovery of production sites related to hydroelectric plants of Valtellina and Calabria. The changes in the item concerned: releases for 18 thousand euro, uses for 19 thousand euro and other increases for 498 thousand euro, which refer both to the updating of the appraisals as well as to the revision of the discount rates used for the estimate of future costs.

"Tax Provisions", which amounted to 2,030 thousand euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for levies and direct and indirect taxes. Changes mainly concerned releases in the year under review.

The "Personnel lawsuits and disputes provisions" amounted to 5,949 thousand euro and refer to lawsuits pending with social security institutions, for contributions not paid for 998 thousand euro, to lawsuits with third parties for 4,741 thousand euro and with employees for 210 thousand euro, to cover the liabilities that could arise from litigations in progress. Changes during the period regard provisions of 172 thousand euro, releases of 144 thousand euro, uses of 37 thousand euro.

"Other risk provisions" of 158,331 thousand euro refer to provisions relating to public water derivation fees for 128,811 thousand euro, provisions for contractual expenses for 15,576 thousand euro, to the mobility provision for the costs arising from the corporate restructuring plan for 4,026 thousand euro, as well as other provisions for risks for 9,918 thousand euro. Changes during the period, net of negative extraordinary transactions for 1,501 thousand euro, regard provisions of 45,655 thousand euro, uses of 5,332 thousand euro, releases of 1,398 thousand euro and other increases of 5,427 thousand euro.

19) Other non-current liabilities

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	**Balance at 12 31 2023**	of which included in the NFP	
					12 31 2022	12 31 2023
Other non-current liabilities	3,455	-	-	3,455	-	-
Non-current derivatives	59	-	10,644	10,703	59	10,703
Total other non-current liabilities	**3,514**	**-**	**10,644**	**14,158**	**59**	**10,703**

"Other non-current liabilities" amounted to 14,158 thousand euro and refer to:

- "Non-current derivative instruments" equal to 10,703 thousand euro (59 thousand euro at December 31, 2022), which refer to the fair value measurement of the hedging derivative relating to the bond in yen maturing in 2036;
- "Other non-current liabilities to third parties" amounted to 3,455 thousand euro (3,455 thousand euro at December 31, 2022), of which:
  - "Other non-current payables" totaling 3,354 thousand euro (3,354 thousand euro at December 31, 2022), which refer to payables linked to Long Term Service Agreements relating to plant maintenance;
  - "Security deposits" of 101 thousand euro (101 thousand euro at December 31, 2022).

Current liabilities

20) Trade payables and other current liabilities

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Advances and payables to customers	73,382	-	(73,370)	12		
Payables to suppliers	3,905,898	-	(1,376,217)	2,529,681		
Trade payables to related parties of which:	627,354	-	(178,559)	448,795		
- subsidiaries	564,265	-	(179,955)	384,310		
- joint ventures	62,485	-	1,872	64,357		
- associates	449	-	(449)	-		
- Municipalities of Milan and Brescia	155	-	(27)	128		
Total trade payables	**4,606,634**	**-**	**(1,628,146)**	**2,978,488**		
Payables to pension and social security institutions	15,171	-	96	15,267		
Current derivatives	2,560,840	-	(1,007,529)	1,553,311		
Other current liabilities of which:	149,794	(2,043)	3,008	150,759		
- payables to employees	22,447	(2,043)	6,731	27,135		
- tax payables	44,106	-	14,037	58,143		
- payables to subsidiaries for tax consolidation	62,859	-	(26,995)	35,864		
- payables for tax transparency	5,368	-	-	5,368		
- payables to third-party shareholders	391	-	(391)	-		
- payables for liabilities of competence of the following year	37	-	(4)	33		
- payables for collections to be allocated	7,543	-	(7,319)	224		
- sundry payables	7,043	-	16,949	23,992	-	-
Total other current liabilities	**2,725,805**	**(2,043)**	**(1,004,425)**	**1,719,337**	**-**	**-**
Total trade payables and other current liabilities	**7,332,439**	**(2,043)**	**(2,632,571)**	**4,697,825**	**-**	**-**

"Trade payables and other current liabilities" amounted to 4,697,825 thousand euro (7,332,439 thousand euro at December 31, 2022) and show an overall decrease of 2,632,571 thousand euro, net of the effect of non-recurring transactions negative for 2,043 thousand euro.

"Trade payables" amounted to 2,978,488 thousand euro and include advances for 12 thousand euro, debt exposure to third-party suppliers (2,529,681 thousand euro) and trade payables to related parties (448,795 thousand euro). The decrease in payables to third-party suppliers is mainly attributable to the decrease in commodity trading transactions with bilateral counterparties, as well as to an efficient Net Working Capital management policy.

"Payables to social security institutions" amounted to 15,267 thousand euro and relate to the company's debt position with social security and pension institutions, related to contributions of the month of December not yet paid.

"Current derivative instruments" amounted to 1,553,311 thousand euro (2,560,840 thousand euro at December 31, 2022) and refer to the fair value valuation of 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" amounting to 150,759 thousand euro (149,794 thousand euro at December 31, 2022) mainly refer to:

- Group "payables to subsidiaries for tax consolidation" amounting to 35,864 thousand euro (62,859 thousand euro at December 31, 2022);
- "payables to employees" for 27,135 thousand euro (22,447 thousand 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;
- "tax payables" amounting to 58,143 thousand euro (44,106 thousand euro at December 31, 2022) essentially regarding VAT payables, payables for water diversion fees, as well as payables to the tax authorities for withholding tax;
- "payables for fiscal transparency" for 5,368 thousand euro, unchanged compared to the end of the previous year, towards the associated company Ergosud S.p.A.;
- other sundry payables which include the advance collections of electricity and gas futures contracts the economic manifestation of which will be in the following year (19,149 thousand euro) as well as payables for insurance policies (2,745 thousand euro).

21) Current financial liabilities

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023	of which included in the NFP	
					12 31 2022	12 31 2023
Non-convertible bonds	338,234	-	18,979	357,213	338,234	357,213
Payables to banks	481,658	-	(260,013)	221,645	481,658	221,645
Payables to other lenders	1,011	-	(1,011)	-	1,011	-
Financial payables to related parties	655,831	-	(73,982)	581,849	655,831	581,849
Current financial payables for rights of use to third parties	11,154	-	1,573	12,727	11,154	12,727
Current payables for rights of use to related parties	6,387	-	920	7,307	6,387	7,307
Total current financial liabilities	**1,494,275**	**-**	**(313,534)**	**1,180,741**	**1,494,275**	**1,180,741**

"Current financial liabilities" amounted to 1,180,741 thousand euro, an overall decrease of 313,534 thousand euro.

"Non-convertible bonds" amounted to 357,213 thousand euro and show a net increase of 18,979 thousand euro. During the year, a bond with a nominal value of 300,000 thousand 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 57,245 thousand euro (38,380 thousand euro at December 31, 2022).

Current "Payables to banks", which amounted to 221,645 thousand euro, comprises the principal portion of loans granted by the European Investment Bank, in the amount of 69,501 thousand euro, by various credit institutions, in the amount of 149,371 thousand euro, and accrued interest, in the amount of 2,717 thousand euro. The year-on-year decrease of 260,013 thousand 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 in the period.

"Payables to other lenders" were zero, as a result of the repayment of outstanding payables at December 31, 2022, amounting to 1,011 thousand euro.

"Financial payables to related parties" amounted to 581,849 thousand euro with a decrease of 73,982 thousand euro and relate to intra-group current accounts on which rates are applied at market conditions, with variable Euribor base with specific spreads for companies.

"Financial payables for current rights of use", in application of IFRS 16 for leases previously classified as operating, both to third parties and related parties, amounted to 20,034 thousand euro, with an increase of 2,493 thousand euro compared to the end of the previous year.

22) Tax liabilities

thousands of euro	Balance at 12 31 2022	Effect of non-recurring transactions	Changes	Balance at 12 31 2023
Tax liabilities	114,220	-	(61,893)	52,327

At December 31, 2023, tax liabilities amounted to 52,327 thousand euro (114,220 thousand euro at December 31, 2022) and related to the recognition of current IRES and IRAP payables for the year 2023, net of advances paid.

Compared to the debt situation in the previous year, the decrease in tax payables is mainly attributable to the payment of the Extraordinary Solidarity Contribution in the year 2023, determined pursuant to Article 1, paragraphs 115-119 of Law no. 197 of December 29, 2022 (Budget Law 2023), as well as the payment of the residual portion of the substitute tax recognized in 2021 following the realignment pursuant to LD 104/2020.

2.7
Net debt

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

The following table provides details of net debt:

thousands of euro	12 31 2022	Effect of non-recurring transactions	Changes	12 31 2023
Bonds - non-current portion	4,611,550	-	188,179	4,799,729
Bank loans - non-current portion	775,717	-	(319,142)	456,575
Non-current payables to other lenders	199,869	-	(199,869)	-
Non-current financial payables for rights of use	61,261	-	(4,952)	56,309
Other non-current liabilities	59	-	10,644	10,703
Total medium/long-term debt	**5,648,456**	**-**	**(325,140)**	**5,323,316**
Non-current financial assets - related parties	(1,331,267)	-	781,659	(549,608)
Non-current financial assets	(4,613)	-	4,517	(96)
Other non-current assets	(7,168)	-	7,168	-
Total medium/long-term financial receivables	**(1,343,048)**	**-**	**793,344**	**(549,704)**
Total non-current net debt	**4,305,408**	**-**	**468,204**	**4,773,612**
Bonds - current portion	338,234	-	18,979	357,213
Bank loans - current portion	481,658	-	(260,013)	221,645
Current amounts due to other providers of finance	1,011	-	(1,011)	-
Current financial payables for rights of use	17,541	-	2,493	20,034
Current financial payables to related parties	655,831	-	(73,982)	581,849
Total short-term debt	**1,494,275**	**-**	**(313,534)**	**1,180,741**
Other current financial assets	(2,112)	-	(22,438)	(24,550)
Current financial assets - related parties	(2,363,842)	586	(1,090,942)	(3,454,198)
Total short-term financial receivables	**(2,365,954)**	**586**	**(1,113,380)**	**(3,478,748)**
Cash and cash equivalents	(2,338,465)	-	851,087	(1,487,378)
Total current net debt	**(3,210,144)**	**586**	**(575,827)**	**(3,785,385)**
Net financial debt	**1,095,264**	**586**	**(107,623)**	**988,227**

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

thousands of euro	12 31 2022	Cash flow	Effect of non-recurring transactions	Change in fair value	Other changes	12 31 2023
Bonds	4,949,784	218,865	-	(9,977)	(1,730)	5,156,942
Financial payables	2,192,888	(872,182)	-	-	15,706	1,336,412
Other liabilities	59	-	-	10,644	-	10,703
Financial assets	(3,701,834)	(329,793)	586	-	2,589	(4,028,452)
Other activities	(7,168)	-	-	7,168	-	-
Net liabilities deriving from financing activities	**3,433,729**	**(983,110)**	**586**	**7,835**	**16,565**	**2,475,605**
Cash and cash equivalents	(2,338,465)	851,087	-	-	-	(1,487,378)
Net financial debt	**1,095,264**	**(132,023)**	**586**	**7,835**	**16,565**	**988,227**

2.8
Notes to the income statement

24) Revenues

Revenues at December 31, 2023 amounted to 11,062,441 thousand euro (19,688,338 thousand euro at December 31, 2022).

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Revenues from the sale of goods	10,779,163	19,410,770	(8,631,607)	(44.5%)
Revenues from services	266,831	256,455	10,376	4.0%
Total revenues from the sale of goods and services	**11,045,994**	**19,667,225**	**(8,621,231)**	**(43.8%)**
Other operating income	**16,447**	**21,113**	**(4,666)**	**(22.1%)**
Total revenues	**11,062,441**	**19,688,338**	**(8,625,897)**	**(43.8%)**

Details of the more significant items are as follows:

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Sales of electricity of which:	**6,612,718**	**12,990,045**	**(6,377,327)**	**(49.1%)**
- third-party customers	3,347,485	8,433,754	(5,086,269)	(60.3%)
- subsidiaries	3,259,222	4,547,364	(1,288,142)	(28.3%)
- associates	6,011	8,927	(2,916)	(32.7%)
Sales of gas and fuels of which:	**3,688,445**	**5,701,529**	**(2,013,084)**	**(35.3%)**
- third-party customers	1,520,816	3,149,587	(1,628,771)	(51.7%)
- subsidiaries	2,152,350	2,538,677	(386,327)	(15.2%)
- associates	15,279	13,265	2,014	15.2%
Sales of heat of which:	**1,226**	**3,068**	**(1,842)**	**(60.0%)**
- subsidiaries	1,226	3,068	(1,842)	(60.0%)
Sales of materials and equipment of which:	**9,740**	**11,278**	**(1,538)**	**(13.6%)**
- third-party customers	21	1,576	(1,555)	(98.7%)
- subsidiaries	9,719	9,702	17	0.2%
Sales of emission certificates and allowances of which:	**467,034**	**704,850**	**(237,816)**	**(33.7%)**
- third-party customers and inventory change	26,262	59,444	(33,182)	(55.8%)
- subsidiaries	399,175	603,205	(204,030)	(33.8%)
- associates	41,597	42,201	(604)	(1.4%)
Total revenues from the sale of goods	**10,779,163**	**19,410,770**	**(8,631,607)**	**(44.5%)**
- Services to third parties	1,704	1,641	63	3.8%
- Services to subsidiaries	261,274	251,941	9,333	3.7%
- Services to associates	219	182	37	20.3%
- Services to parent companies	3,634	2,691	943	35.0%
Total revenues from services	**266,831**	**256,455**	**10,376**	**4.0%**
Total revenues from the sale of goods and services	**11,045,994**	**19,667,225**	**(8,621,231)**	**(43.8%)**
Damage compensation	1,561	801	760	94.9%
Contingent assets	2,899	2,876	23	0.8%
Gains on disposals of assets	670	45	625	n.s.
Incentives for production from renewable sources (feed-in tariff)	-	8,214	(8,214)	(100.0%)
Rent income of which:	**6,222**	**4,998**	**1,224**	**24.5%**
- third-party customers	568	463	105	22.7%
- subsidiaries	5,645	4,527	1,118	24.7%
- associates	9	8	1	12.5%
Other revenues of which:	**5,095**	**4,179**	**916**	**21.9%**
- third-party customers	5,037	3,343	1,694	50.7%
- subsidiaries	58	563	(505)	(89.7%)
- associates	-	273	(273)	(100.0%)
Total other operating revenues	**16,447**	**21,113**	**(4,666)**	**(22.1%)**
Total revenues	**11,062,441**	**19,688,338**	**(8,625,897)**	**(43.8%)**

Sales revenues, which amounted to 10,779,163 thousand euro and show a decrease of 8,631,607 thousand euro compared to the previous year, mainly refer to the sale of electricity (6,612,718 thousand euro) to wholesalers and institutional operators (Gestore Mercato Elettrico S.p.A. and Terna S.p.A.), also through sales on the IPEX markets (Italian Power Exchange) as well as to subsidiaries and associates for a total of 21,806 million kWh (+10% compared to December 31, 2022 to the sale of gas and fuel to third parties and subsidiaries (3,688,445 thousand euro) from the commercialization of 4,970 million cubic meters of gas (+8% compared to the previous year); to the sale of heat (1,226 thousand euro), materials and plants to both third parties and subsidiaries (9,740 thousand euro) and to the sale of environmental certificates to third parties and subsidiaries and associates (467,034 thousand euro).

The decrease in sales revenues is mainly due to the decrease in prices on the wholesale markets of both electricity and gas, as well as lower revenues from sales of CO2 mainly due to the lower functioning of the thermoelectric plants managed by A2A S.p.A. through tolling contracts.

Revenues from services amount to 266,831 thousand euro and mainly relate to revenues from provisions to subsidiaries of administrative, fiscal, legal, managerial and technical services, and revenues from the Municipality of Milan for the video surveillance service.

“Other operating revenues”, amounting to 16,447 thousand euro (21,113 thousand euro at December 31, 2022), relates to rents from subsidiaries, releases from provisions made in prior years, reimbursements for losses and penalties from customers, insurance companies and individuals. In the previous year, this item included incentives for production from renewable sources “feed-in tariff” in the amount of 8,214 thousand euro; in 2023, the amount of these incentives was zero as a result of the increase in the 2022 PUN above the threshold of 180 euro/MWh required by the GRIN incentive calculation formula.

25) Operating expenses

“Operating expenses” totalled 10,448,524 thousand euro (19,181,703 thousand euro at December 31, 2022).

The main components of this item are as follows:

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Costs for raw materials and consumables	9,218,057	17,928,416	(8,710,359)	(48.6%)
Costs for services	572,789	425,573	147,216	34.6%
Total costs for raw materials and services	**9,790,846**	**18,353,989**	**(8,563,143)**	**(46.7%)**
Other operating expenses	**657,678**	**827,714**	**(170,036)**	**(20.5%)**
Total operating expenses	**10,448,524**	**19,181,703**	**(8,733,179)**	**(45.5%)**

The following table sets out details of the more significant components:

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Purchases of electricity of which:	**4,173,294**	**8,079,820**	**(3,906,526)**	**(48.3%)**
- third-party suppliers	3,745,617	7,627,477	(3,881,860)	(50.9%)
- subsidiaries	427,592	452,206	(24,614)	(5.4%)
- associates	85	137	(52)	(38.0%)
Purchases of gas of which:	**4,316,978**	**9,305,157**	**(4,988,179)**	**(53.6%)**
- third-party suppliers	4,302,414	9,283,300	(4,980,886)	(53.7%)
- subsidiaries	14,564	21,857	(7,293)	(33.4%)
Purchases of fuel of which:	**36,251**	**106,724**	**(70,473)**	**(66.0%)**
- third-party suppliers	36,239	106,720	(70,481)	(66.0%)
- subsidiaries	12	4	8	n.s.
Change in inventories of fuel	**206,633**	**(252,238)**	**458,871**	**n.s.**
Purchases of heat of which:	**660**	**697**	**(37)**	**(5.3%)**
- subsidiaries	660	697	(37)	(5.3%)
Purchases of water of which:	**126**	**58**	**68**	**n.s.**
- third-party suppliers	48	45	3	6.7%
- subsidiaries	78	13	65	n.s.
Purchases of materials of which:	**12,296**	**14,323**	**(2,027)**	**(14.2%)**
- third-party suppliers	12,291	14,317	(2,026)	(14.2%)
- subsidiaries	5	6	(1)	(16.7%)
Change in inventories of materials	**24**	**32**	**(8)**	**(25.0%)**
Hedging losses on operating derivatives	**7,291**	**13,799**	**(6,508)**	**(47.2%)**
Hedging gains on operating derivatives	**(4,708)**	**(34,483)**	**29,775**	**(86.3%)**
Purchases of emission certificates and allowances of which:	**469,212**	**694,527**	**(225,315)**	**(32.4%)**
- third-party suppliers	460,811	692,505	(231,694)	(33.5%)
- subsidiaries	8,401	2,022	6,379	n.s.
Total costs for raw materials and consumables	**9,218,057**	**17,928,416**	**(8,710,359)**	**(48.6%)**
Delivery and transmission costs of which:	**356,433**	**249,315**	**107,118**	**43.0%**
- third-party suppliers	330,929	234,018	96,911	41.4%
- subsidiaries	25,504	15,297	10,207	66.7%
Maintenance and repairs	**58,271**	**66,342**	**(8,071)**	**(12.2%)**
Services of which:	**158,085**	**109,916**	**48,169**	**43.8%**
- third-party suppliers	131,568	95,906	35,662	37.2%
- subsidiaries	26,517	14,010	12,507	89.3%
Total costs for services	**572,789**	**425,573**	**147,216**	**34.6%**
Total costs for raw materials and services	**9,790,846**	**18,353,989**	**(8,563,143)**	**(46.7%)**
Leaseholds of which:	**554,652**	**725,189**	**(170,537)**	**(23.5%)**
- third-party suppliers	39,115	30,078	9,037	30.0%
- subsidiaries	449,531	628,235	(178,704)	(28.4%)
- associates	66,006	66,876	(870)	(1.3%)
Other operating expenses of which:	**103,026**	**102,525**	**501**	**0.5%**
- Concession fees	71,969	71,991	(22)	(0.0%)
- Contributions to territorial entities, consortia and ARERA	6,151	5,241	910	17.4%
- Damages and penalties	849	803	46	5.7%
- Contingent liabilities	1,055	1,343	(288)	(21.4%)
- Losses on disposal of tangible assets	1	-	1	n.s.
- Taxes and duties	14,382	14,064	318	2.3%
- Other costs	8,619	9,083	(464)	(5.1%)
- other operating expenses	7,003	8,738	(1,735)	(19.9%)
- losses on receivables and cash and cash equivalents	-	341	(341)	(100.0%)
- subsidiaries	83	4	79	n.s.
- parent company	1,533	-	1,533	n.s.
Other operating expenses	**657,678**	**827,714**	**(170,036)**	**(20.5%)**
Total operating expenses	**10,448,524**	**19,181,703**	**(8,733,179)**	**(45.5%)**

"Costs for raw materials and services" amounted to 9,790,846 thousand euro (18,353,989 thousand euro at December 31, 2022).

Costs for raw materials and consumables amounted 9,218,057 thousand euro and refer to the costs for the purchase of energy, fuel and heat (8,527,183 thousand euro) from third parties and subsidiaries both for electricity production both for resale to customers and wholesalers, the reduction of which derives mainly from the decrease in unit procurement prices due to the reduction in the reference scenario, despite a substantial parity of volumes purchased; the change in fuel inventories (206,633 thousand euro); to expenses/income from hedging on derivatives (2,583 thousand euro); the purchase of materials and water (12,446 thousand euro including the change in inventories); as well as the purchase of environmental certificates (469,212 thousand euro) the reduction of which refers in particular to the lower purchases of CO_2 due to the lower volumes emitted, correlated to lower thermoelectric production.

Service costs amounted to 572,789 thousand euro and relate to the logistics costs for transport on the natural gas network (356,433 thousand euro), costs for maintenance and repairs (58,271 thousand euro) related to both the plants and information systems of the company, as well as costs for services from third parties and subsidiaries and associates (158,085 thousand euro) that include costs for administrative and technical professional services, costs for certification activities, gas storage costs, expenses for insurance, monitoring, banking and other services. The increase compared to the previous year is mainly due to higher costs for the transport and storage of natural gas, for IT services related to the development of new projects.

"Other operating expenses" amounted to 657,678 thousand euro (827,714 thousand euro at December 31, 2022). This item includes the use of third-party assets for 554,652 thousand euro mainly relating to the contracting of thermoelectric production plants "tolling agreement" owned by the subsidiaries A2A Energiefuture S.p.A. and A2A gencogas S.p.A., costs related to the use of part of a portion of the electricity capacity of Ergosud S.p.A.; the decrease is mainly due to the lower cost of CO_2 as a consequence of the lower functioning of the thermoelectric plants. Other costs amounted to 103,026 thousand euro and mainly refer to public water derivation fees, damages and penalties and contingent liabilities.

During the year, the Company paid 3,000 thousand euro in donations to the AEM and ASM and LGH Foundations.

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.

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Revenues	8,599,585	13,373,821	(4,774,236)	(35.7%)
Operating costs	(8,538,343)	(13,293,080)	4,754,737	(35.8%)
Total trading margin	**61,242**	**80,741**	**(19,499)**	**(24.2%)**

The trading margin was positive for 61,242 thousand euro, a decrease of 19,499 thousand 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) Labor costs

At December 31, 2023, personnel costs, net of capitalized charges, totaled 195,727 thousand euro (174,892 thousand euro at December 31, 2022); the increase for the year includes both the effect linked to new hires of personnel materialized in 2023, to contractual renewals as well as to remuneration policy actions.

"Labor costs" may be analyzed as follows:

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Wages and salaries	127,733	115,847	11,886	10.3%
Social security charges	40,213	36,935	3,278	8.9%
Employee leaving entitlement (TFR)	7,899	7,245	654	9.0%
Other costs	25,550	19,464	6,086	31.3%
Total labor costs before capitalizations	**201,395**	**179,491**	**21,904**	**12.2%**
Capitalized labor costs	(5,668)	(4,599)	(1,069)	23.2%
Total labor costs	**195,727**	**174,892**	**20,835**	**11.9%**

The table below shows the average number of employees during the period, broken down by category:

thousands of euro	12 31 2023	12 31 2022	Change
Managers	107	105	2
Middle Managers	411	368	43
White-collar workers	1,378	1,316	62
Blue-collar workers	149	155	(6)
Total	**2,045**	**1,944**	**101**

At December 31, 2023, A2A S.p.A. employees totaled 2,045, while at December 31, 2022, they were equal to 1,944.

The item also includes the remuneration paid by A2A S.p.A. to the members of the Board of Directors in the period for a total of 1,678 thousand euro; for further details, reference is made to the specific file "Remuneration Report - 2024".

"Other personnel costs" amounting to 25,550 thousand euro (19,464 thousand euro at December 31, 2022) include costs relating to the overall expense relating to the company restructuring plan related to future employee leaving for mobility for 5,429 thousand euro.

27) Gross operating income

In light of the dynamics explained above, the "Gross operating income" was positive for 418,190 thousand euro (positive for 331,743 thousand euro at December 31, 2022).

28) Depreciation, amortization, provisions and write-downs

"Depreciation, amortization, provisions and write-downs" equaled 182,245 thousand euro (162,247 thousand euro at December 31, 2022).

The following table provides details of the individual items:

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Amortization of intangible assets	45,955	37,913	8,042	21.2%
Depreciation of tangible assets	87,477	85,164	2,313	2.7%
Net write-downs of fixed assets	68	213	(145)	(68.1%)
Total depreciation, amortization, provisions and write-downs	**133,500**	**123,290**	**10,210**	**8.3%**
Provisions for risks	43,684	38,131	5,553	14.6%
Bad debt provision on receivables recognized as current assets	5,061	826	4,235	n.s.
Total depreciation, amortization, provisions and write-downs	**182,245**	**162,247**	**19,998**	**12.3%**

In particular, "Depreciation and Amortization" totaled 133,432 thousand euro (123,077 thousand euro at December 31, 2022). The increase compared to December 31, 2022 results from the combined effect of higher depreciation and amortization for capital expenditures, net of the decrease associated with disposals during the period and fixed assets that completed their depreciation and amortization process in the prior year. Depreciation is calculated on the basis of technical and economic rates considered representative of the remaining useful life of the related tangible assets.

At December 31, 2023, write-downs of fixed assets amounted to 68 thousand euro (213 thousand euro at December 31, 2022) and mainly refer to assets no longer functional to the company's activity.

The balance of "Provisions for risks and charges" shows a net effect of 43,684 thousand euro (38,131 thousand euro at December 31, 2022) due to allocations of 45,828 thousand euro, offset by the 2,144 thousand euro of risk provisions made in previous years and released in the current year since the original disputes have ceased to exist. Provisions, net of releases during the year, included 44,257 thousand euro in provisions to "Other risk provisions", mainly relating to public water diversion fees, partly offset by net releases, for 573 thousand euro, of "Tax provisions". For further details, reference is made to note 18) Provisions for risks, charges and liabilities for landfills.

The "Bad debt provision" showed a positive balance of 5,061 thousand euro (negative for 827 thousand euro at December 31, 2022) and is related to the provisions during the year under review.

29) Net operating income

The "Net operating income" is positive by 235,945 thousand euro (169,496 thousand euro at December 31, 2022).

30) Result from non-recurring transactions

The "Result from non-recurring transactions" amounted to 1,790 thousand euro (155,202 thousand 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” showed a positive balance of 337,639 thousand euro (positive for 372,262 thousand euro at December 31, 2022), and the breakdown is as follows:

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Financial income	520,117	469,295	50,822	10.8%
Financial expenses	182,478	97,033	85,445	88.1%
Total financial balance	**337,639**	**372,262**	**(34,623)**	**(9.3%)**

Financial income

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Gains on disposals of financial assets	**6,190**	**-**	**6,190**	**n.s.**
Income from financial assets:	**513,927**	**469,295**	**44,632**	**9.5%**
Income from dividends:	283,208	407,371	(124,163)	(30.5%)
- subsidiaries	283,208	406,979	(123,771)	(30.4%)
- associates	-	392	(392)	(100.0%)
Income on receivables/securities recorded as current assets:	229,659	58,483	171,176	n.s.
- subsidiaries	173,847	50,205	123,642	n.s.
- associates	92	148	(56)	(37.8%)
- third parties of which:	55,720	8,130	47,590	n.s.
- on bank accounts	55,588	2,898	52,690	n.s.
- discounting income	63	195	(132)	(67.7%)
- on other receivables	69	5,037	(4,968)	(98.6%)
Foreign exchange gains	1,060	3,441	(2,381)	(69.2%)
Total financial income	**520,117**	**469,295**	**50,822**	**10.8%**

“Financial income” totalled 520,117 thousand euro (469,295 thousand euro at December 31, 2022) and refers to:

- gains on the disposal of financial assets amounting to 6,190 thousand euro, no value at December 31, 2022, which refer to the gain realized on the sale of the shareholding in Yada Energia S.r.l. to the subsidiary A2A Energia S.p.A.;
- dividend income of 283,208 thousand euro (407,371 thousand euro at December 31, 2022) referring to dividends distributed by subsidiaries;
- income from receivables/securities recognized under current assets for 229,659 thousand euro (58,483 thousand euro at December 31, 2022). This primarily regards interest to subsidiaries accrued essentially on current accounts and intra-group loans totaling 173,847 thousand euro, financial income from associates of 92 thousand euro, interest on bank deposits and interest on sundry receivables of 55,720 thousand euro;
- foreign exchange gains for 1,060 thousand euro (3,441 thousand euro at December 31, 2022).

Financial expenses

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Expenses on derivatives:	**59**	**1,119**	**(1,060)**	**(94.7%)**
- realized on financial derivatives	59	1,119	(1,060)	(94.7%)
Write-downs/losses of financial assets:	**207**	**-**	**207**	**n.s.**
- third parties	207	-	207	n.s.
Expenses on financial assets:	**182,212**	**95,914**	**86,298**	**90.0%**
- subsidiaries	10,384	391	9,993	n.s.
- associates	8	7	1	14.3%
- third parties of which:	171,820	95,516	76,304	79.9%
- interest on bond loans	123,675	74,367	49,308	66.3%
- interest charged by banks	35,974	13,518	22,456	n.s.
- decommissioning charges	135	145	(10)	(6.9%)
- discounting charges	4,902	2,857	2,045	71.6%
- financial expenses IFRS16	530	327	203	62.1%
- other expenses	5,755	2,081	3,674	n.s.
- foreign exchange losses	849	2,221	(1,372)	(61.8%)
Total financial expenses before capitalizations	**182,478**	**97,033**	**85,445**	**88.1%**
Total financial expenses	**182,478**	**97,033**	**85,445**	**88.1%**

“Financial expenses” amounted to 182,478 thousand euro (97,033 thousand euro in 2022) and referred to:

- expenses on financial derivatives for 59 thousand euro (1,119 thousand euro at December 31, 2022) related to the negative “realized” of the year;
- write-downs of financial fixed assets for 207 thousand euro, no value at December 31, 2022, which refer to the write-down of the shareholding in Proaris S.r.l. in liquidation;
- other expenses from financial liabilities amounting to 182,212 thousand euro (95,914 thousand euro at December 31, 2022), broken down as follows:
  - interest charged by subsidiaries in the amount of 10,384 thousand euro (391 thousand euro at December 31, 2022) for financial expenses accrued on intra-group accounts;
  - interest charged by associates for 8 thousand euro (7 thousand euro at December 31, 2022);
  - other financial expenses in the amount of 171,820 thousand euro (95,516 thousand euro at December 31, 2022), which essentially relate to interest on bonds and interest on the revolving credit lines used with various banks and other financial expenses.

The nature and content of derivatives are described in the section “Other information”.

32) Income taxes

thousands of euro	12 31 2023	12 31 2022	Change	Percentage change
Current IRES	86,541	46,138	40,403	87.6%
Current IRAP	18,416	14,961	3,455	23.1%
Effect of differences - taxes of previous years	1,280	(11,231)	12,511	n.s.
Total current taxes	**106,237**	**49,868**	**56,369**	**n.s.**
Deferred tax assets IRES	507	6,156	(5,649)	(91.8%)
Deferred tax assets IRAP	(2,573)	(1,168)	(1,405)	n.s.
Deferred tax assets	**(2,066)**	**4,988**	**(7,054)**	**n.s.**
Deferred tax liabilities IRES	(16,797)	26,424	(43,221)	n.s.
Deferred tax liabilities IRAP	(21)	(16)	(5)	31.3%
Deferred tax liabilities	**(16,818)**	**26,408**	**(43,226)**	**n.s.**
Solidarity contribution L. 197/2022	**-**	**99,824**	**(99,824)**	**(100.0%)**
Total income taxes	**87,353**	**181,088**	**(93,735)**	**(51.8%)**

It is noted that for IRES purposes, the company filed for tax on a consolidated basis, together with its main subsidiaries, in accordance with articles 117-129 of DPR 917/86.

To this end, a contract has been entered into with each of the subsidiaries to regulate the tax benefits and burdens transferred, with specific reference to current items.

The deferred tax assets and liabilities calculated when determining the subsidiaries' taxable income, again only for IRES purposes, are not transferred to the parent company, A2A S.p.A., but are recognized in the income statement of the individual subsidiary each time there is an effective divergence between net income calculated for tax reporting purposes and net income calculated for financial reporting purposes due to any temporary differences. The deferred tax assets and liabilities shown in the income statement of A2A are therefore calculated exclusively on the divergences between its income for taxable purposes and income for financial reporting purposes.

Current income tax (IRES) of A2A S.p.A. is calculated on its own taxable income net of the adjustments relating to the national tax consolidation filing, in accordance with appendix E of accounting standard OIC 25 of August 2014.

In compliance with accounting standard OIC 25, the "income/expense related to consolidation", which constitute the remuneration/counter-entry for the transfer to the parent company A2A of a tax loss or taxable income, are recognized in the balance sheet.

The total amount of IRAP was determined based on the net value of production, suitably adjusted by the increases and decreases required by tax legislation. In compliance with Article 4(2) of Legislative Decree No. 446, IRAP was calculated on the basis of the territorial distribution of the taxable base according to the region of production: Lombardy, Calabria, Lazio, Piedmont, Abruzzo, Apulia and Veneto (rate 5.57%), Campania (rate 5.72%), Friuli-Venezia Giulia, Emilia-Romagna and Sicily (rate 4.65%).

The deferred tax assets and liabilities for IRAP purposes are booked to the income statement so as to show the total tax charge for the year, taking into account the tax effects of temporary differences. The recoverability of the "IRES deferred tax assets" recorded in the financial statements is considered probable, as the future plans provide for IRES taxable income sufficient for the absorption of the temporary differences that will be reversed; on the other hand, deferred tax assets and liabilities recorded for IRAP purposes are those considered adequate with respect to the best forecast of absorption from future taxable income.

No items have been excluded from the calculation of deferred taxation for IRES or IRAP purposes, with the exceptions highlighted above, and deferred tax liabilities and assets are recognized according to the balance sheet method.

At December 31, 2023, income taxes for the year (IRES and IRAP), amounted to 87,353 thousand euro (181,088 thousand euro at the end of the previous year) and were made up as follows:

- 87,319 thousand euro in current IRES of the period;
- -9 thousand euro for remuneration for the transfer of interest payable to the tax consolidation system;
- 11 thousand euro for transfer to Equity reserve of part of income taxes;
- -780 thousand euro for the recognition of tax receivables on “art bonus” disbursements;
- 18,416 thousand euro in current IRAP of the period;
- 1,280 thousand euro related to taxes of previous years;
- -16,797 thousand euro for deferred tax liabilities for IRES purposes;
- -21 thousand euro for deferred tax liabilities for IRAP purposes;
- 507 thousand euro in deferred tax assets for IRES purposes;
- -2,573 thousand euro in deferred tax assets for IRAP purposes.

The main temporary increases for IRES purposes include:

- reversals for non-deductible amortization for 24,838 thousand euro;
- reversals for non-deductible provisions for risks for 51,312 thousand euro;
- the recovery equal to 1/5 of the amount of the tax capital gain realized on the sale of the properties located in Milan in Corso di Porta Vittoria (Signora), in Via Gonin and in Via Balduccio da Pisa (Orobia), which were sold in the month of February 2022, for 34,470 thousand euro.

The main permanent increases for IRES purposes include the reversals for expenses for cars, telephone costs and fines non-deductible for 3,320 thousand euro.

Among the main decreases are:

- the change for the non-taxable portion (95%) of dividends received during the year in the amount of 269,048 thousand euro;
- the decreases relating to the depreciation of assets for tax purposes, related to symmetrical increases in previous years due to the allocation in the financial statements of statutory depreciation rates higher than those allowed for tax purposes in application of the limits set forth in Art. 102, paragraph 2 of the TUIR, for 23,492 thousand euro.

Reconciliation between the statutory tax rate and the effective tax rate for IRES and IRAP purposes are presented in the statements below.

IRES - RECONCILIATION BETWEEN STATUTORY AND EFFECTIVE TAXATION

Pre-tax result	575,563,759	
Theoretical tax expense 24.00 %		138,135,302
Permanent differences	(268,357,391)	
Income before taxes adjusted for permanent differences	307,206,368	
Current gains/losses on income for the year		73,729,528
Temporary differences deductible in subsequent years	58,286,454	
Temporary differences taxable in subsequent years	170,029	
Reversal of prior year temporary differences	(1,833,631)	
Taxable amount	363,829,220	
Current gains/losses on income for the year		87,319,013

IRAP - RECONCILIATION BETWEEN STATUTORY AND EFFECTIVE TAXATION

Difference between production value and costs	521,249,580	
Costs not relevant for IRAP purposes	(235,495,548)	
Total	285,754,032	
Theoretical tax expense 5.56% *		15,883,540
Temporary differences deductible in subsequent years	55,771,128	
Temporary differences taxable in subsequent years	-	
Reversal of prior year temporary differences	(10,202,464)	
Taxable income for IRAP purposes	331,322,696	
Current IRAP on income for the year		18,416,458

(*) average IRAP rate

Details are provided below on the analytic situation of the deferred tax assets and liabilities which, as required by international accounting standards, also shows the changes in equity reserves.

IRES - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year			Sub-total		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Value differences of tangible assets	293,420,559.47	0.00	293,420,559.47	24%	70,420,934.27	(12,312,295.55)	24%	(2,954,950.93)	56,973,153.43	24%	13,673,556.82	224,135,110.49	24%	53,792,426.52
Adoption of the finance lease standard (IAS 17)	0.00	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
Application of the financial instrument standard (IAS 39)	0.00	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
Measurement differences of intangible assets	12,434,175.53	0.00	12,434,175.53	24%	2,984,202.13	0.00	24%	0.00	371,875.00	24%	89,250.00	12,062,300.53	24%	2,894,952.13
Deferred capital gains	0.00	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
Employee leaving entitlement (TFR)	0.00	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
Other deferred tax liabilities	16,537,427.80	0.00	16,537,427.80	24%	3,968,982.67	(22,150.91)	24%	(5,316.22)	479,740.96	24%	115,137.83	16,035,535.93	24%	3,848,528.62
Total	**322,392,162.80**	**0.00**	**322,392,162.80**		**77,374,119.07**	**(12,334,446.46)**		**(2,960,267.15)**	**57,824,769.39**		**13,877,944.65**	**252,232,946.95**		**60,535,907.27**

Deductible temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year			Sub-total		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Taxed risk provisions	235,739,479.59	(2,629,620.98)	233,109,858.61	24%	55,946,366.07	1,141,528.89	24%	273,966.93	12,213,897.57	24%	2,931,335.42	222,037,489.93	24%	53,288,997.58
Amortization, depreciation and write-downs	183,135,090.21	0.00	183,135,090.21	24%	43,952,421.65	7,740.09	24%	1,857.62	23,322,157.79	24%	5,597,317.87	159,820,672.51	24%	38,356,961.40
Application of the financial instrument standard (IAS 39)	(7,108,948.00)	0.00	(7,108,948.00)	24%	(1,706,147.52)	0.00	24%	0.00	0.00	24%	0.00	(7,108,948.00)	24%	(1,706,147.52)
Bad debt provision	8,453,028.19	0.00	8,453,028.19	24%	2,028,726.77	0.00	24%	0.00	0.00	24%	0.00	8,453,028.19	24%	2,028,726.77
Costs for business combinations	0,00	0.00	0,00	24%	0,00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
Grants	0,00	0.00	0,00	24%	0,00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
Goodwill	149,245,198.53	0.00	149,245,198.53	24%	35,818,847.65	0.00	24%	0.00	23,899,941.52	24%	5,735,985.96	125,345,257.01	24%	30,082,861.68
Other deferred tax assets	(20,502,995.28)	0.00	(20,502,995.28)	24%	(4,920,718.87)	(1,390,514.62)	24%	(333,723.51)	722,403.62	24%	173,376.87	(22,615,913.52)	24%	(5,427,819.24)
Total	**548,960,853.24**	**(2,629,620.98)**	**546,331,232.26**		**131,119,495.74**	**(241,245.64)**		**(57,898.95)**	**60,158,400.50**		**14,438,016.12**	**485,931,586.12**		**116,623,580.67**

	Changes in tax rate			Increases for the year			Equity			Total deferred tax liabilities		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
	224,135,110.49	24%	53,792,426.52	0.00	24%	0.00	0.00	24%	0.00	224,135,110.49	24%	53,792,426.52
	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
	12,062,300.53	24%	2,894,952.13	170,028.75	24%	40,806.90	0.00	24%	0.00	12,232,329.28	24%	2,935,759.03
	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
	16,035,535.93	24%	3,848,528.62	0.00	24%	0.00	37,635.26	24%	9,032.46	16,073,171.19	24%	3,857,561.09
	252,232,946.95		**60,535,907.27**	**170,028.75**		**40,806.90**	**37,635.26**		**9,032.46**	**252,440,610.96**		**60,585,746.63**

	Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
	222,037,489.93	24%	53,288,997.58	55,709,817.81	24%	13,370,356.27	(3,675,929.78)	24%	(882,223.15)	274,071,377.96	24%	65,777,130.71
	159,820,672.51	24%	38,356,961.40	1,996,636.42	24%	479,192.74	0.00	24%	0.00	161,817,308.93	24%	38,836,154.14
	(7,108,948.00)	24%	(1,706,147.52)	0.00	24%	0.00	17,811,818.56	24%	4,274,836.45	10,702,870.56	24%	2,568,688.93
	8,453,028.19	24%	2,028,726.77	0.00	24%	0.00	0.00	24%	0.00	8,453,028.19	24%	2,028,726.77
	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00	0.00	24%	0.00
	125,345,257.01	24%	30,082,861.68	0.00	24%	0.00	0.00	24%	0.00	125,345,257.01	24%	30,082,861.68
	(22,615,913.52)	24%	(5,427,819.24)	580,000.00	24%	139,200.00	24,681,844.51	24%	5,923,642.68	2,645,930.99	24%	635,023.44
	485,931,586.12		**116,623,580.67**	**58,286,454.23**		**13,998,749.02**	**38,817,733.29**		**9,316,255.99**	**583,035,773.64**		**139,928,585.67**

IRAP - Deferred tax assets and liabilities for the year

Taxable temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year			Sub-total		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Value differences of tangible assets	479,268.16	0.00	479,268.16	5.57%	26,695.24	0.00	5.57%	0.00	45.46	5.57%	2.53	479,222.70	5.57%	26,692.70
Adoption of the finance lease standard (IAS 17)	0.00	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
Measurement differences of intangible assets	2,234,859.46	0.00	2,234,859,46	5.57%	124,481.67	921.01	5.57%	51.30	371,875.00	5.57%	20,713.44	1,863,905.47	5.57%	103,819.53
Other deferred tax liabilities	0.00	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
Total	**2,714,127.62**	**0.00**	**2,714,127.62**		**151,176.91**	**921.01**		**51.30**	**371,920.46**		**20,715.97**	**2,343,128.17**		**130,512.24**

Deductible temporary differences

Case description amounts in euro	Previous year	Non-recurring transactions	Deferred taxes previous year			Adjustments (+/-)			Uses in current year			Sub-total		
			Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
Taxed risk provisions	228,496,376.59	(2,653,378.18)	225,842,998.41	5.57%	12,579,455.01	965,286.09	5.57%	53,766.44	9,658,542.57	5.57%	537,980.82	217,149,741.93	5.57%	12,095,240.63
Amortization, depreciation and write-downs	2,837,573.92	0.00	2,837,573.92	5.57%	158,052.87	0.00	5.57%	0.00	915,842.19	5.57%	51,012.41	1,921,731.73	5.57%	107,040.46
Costs for business combinations	0.00	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
Grants	0.00	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
Goodwill	18,656,483.31	0.00	18,656,483.31	5.57%	1,039,166.12	31,621.01	5.57%	1,761.29	0.00	5.57%	0.00	18,688,104.32	5.57%	1,040,927.41
Other deferred tax assets	(30,259,326.40)	0.00	(30,259,326.40)	5.57%	(1,685,444.48)	0.00	5.57%	0.00	0.00	5.57%	0.00	(30,259,326.40)	5.57%	(1,685,444.48)
Total	**219,731,107.42**	**(2,653,378.18)**	**217,077,729.24**		**12,091,229.52**	**996,907.10**		**55,527.73**	**10,574,384.76**		**588,993.23**	**207,500,251.58**		**11,557,764.01**

Changes in tax rate			Increases for the year			Equity			Total deferred tax liabilities		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
479,222.70	5.57%	26,692.70	0.00	5.57%	0.00	0.00	5.57%	0.00	479,222.70	5.57%	26,692.70
0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
1,863,905.47	5.57%	103,819.53	0.00	5.57%	0.00	0.00	5.57%	0.00	1,863,905.47	5.57%	103,819.53
0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
2,343,128.17		**130,512.24**	**0.00**		**0.00**	**0.00**		**0.00**	**2,343,128.17**		**130,512.24**

Changes in tax rate			Increases for the year			Equity			Total deferred tax assets		
Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax	Taxable amount	Rate	Tax
217,149,741.93	5.57%	12,095,240.63	55,702,908.33	5.57%	3,102,661.99	(3,675,929.78)	5.57%	(204,749.29)	269,176,720.48	5.57%	14,993,143.33
1,921,731.73	5.57%	107,040.46	68,219.78	5.57%	3,799.84	0.00	5.57%	0.00	1,989,951.51	5.57%	110,840.30
0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00	0.00	5.57%	0.00
18,688,104.32	5.57%	1,040,927.41	0.00	5.57%	0.00	0.00	5.57%	0.00	18,688,104.32	5.57%	1,040,927.41
(30,259,326.40)	5.57%	(1,685,444.48)	0.00	5.57%	0.00	24,681,844.51	5.57%	1,374,778.74	(5,577,481.89)	5.57%	(310,665.74)
207,500,251.58		**11,557,764.01**	**55,771,128.11**		**3,106,461.84**	**21,005,914.73**		**1,170,029.45**	**284,277,294.42**		**15,834,245.30**

33) Net result from discontinued operations

The “Net result from discontinued operations” was positive for 189 thousand euro (29,709 thousand euro at December 31, 2022) and refers to the collection from Retragas S.r.l. of the portion due to A2A S.p.A. relating to the price adjustment of the sale of the Val Staffora BU carried out by Retragas to ROMEO GAS S.p.A..

In the previous year, this item referred to the capital gain, net of the effect of current taxes on the same, realized from the sale of the shareholding in ROMEO GAS S.p.A., after the demerger of the unit in favor of the latter relative to gas distribution referred to ATEM deemed non-strategic by Unareti S.p.A..

34) Result of the year

Profit, net of taxes for the year, amounted to 488,210 thousand euro (545,581 thousand euro at December 31, 2022).

2.9
Note on related party transactions

35) 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 Separate 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 and February 9, 2024, the RUP of the Municipality of Milan formulated a request 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 thousands of euro	**Total 12 31 2023**	Companies subsidiaries	Companies associated/ related and subsidiaries of associates	Municipality of Milan	Subsidiaries direct and indirect Municipality of Milan	Municipality of Brescia	Subsidiaries direct and indirect Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
Total assets of which:	**15,340,323**	**9,665,949**	**51,286**	**28,274**	**3**	**145**	**-**	**-**	**9,745,657**	**63.5%**
Non-current assets	*6,022,679*	*4,779,615*	*5,371*	*24,045*	*-*	*-*	*-*	*-*	*4,809,031*	*79.8%*
Tangible assets	895,732	32,996							32,996	3.7%
Shareholdings	4,202,373	4,197,002	5,371						4,202,373	100.0%
Other non-current financial assets	574,944	549,608							549,608	95.6%
Other non-current assets	50,293	9		24,045					24,054	47.8%
Current assets	*9,317,644*	*4,886,334*	*45,915*	*4,229*	*3*	*145*	*-*	*-*	*4,936,626*	*53.0%*
Trade receivables	2,179,878	1,305,998	45,915	4,229	3	145			1,356,290	62.2%
Other current assets	1,981,555	126,138							126,138	6.4%
Current financial assets	3,478,748	3,454,198							3,454,198	99.3%
Total liabilities of which:	**11,551,667**	**1,041,865**	**69,725**	**127**	**35**	**-**	**1**	**80**	**1,111,833**	**9.6%**
Non-current liabilities	*5,620,774*	*32,742*	*-*	*-*	*-*	*-*	*-*	*-*	*32,742*	*0.6%*
Non-current financial liabilities	5,312,613	29,482							29,482	0.6%
Provisions for risks, charges and liabilities for landfills	170,855	3,260							3,260	1.9%
Current liabilities	*5,930,893*	*1,009,123*	*69,725*	*127*	*35*	*-*	*1*	*80*	*1,079,091*	*18.2%*
Trade payables	2,978,488	384,310	64,357	127	35		1		448,830	15.1%
Other current liabilities	1,719,337	35,657	5,368					80	41,105	2.4%
Current financial liabilities	1,180,741	589,156							589,156	49.9%

Income statement thousands of euro	Total 12 31 2023	Companies subsidiaries	Companies associated/ related and subsidiaries of associates	Municipality of Milan	Subsidiaries direct and indirect Municipality of Milan	Municipality of Brescia	Subsidiaries direct and indirect Municipality of Brescia	Related parties individuals	Total related parties	% effect on the balance sheet item
Revenues	**11,062,441**	**6,088,891**	**63,115**	**3,621**	**-**	**13**	**-**	**14**	**6,155,654**	**55.6%**
Revenues from the sale of goods and services	11,045,994	6,082,966	63,106	3,621		13		14	6,149,720	55.7%
Other operating income	16,447	5,925	9						5,934	36.1%
Operating costs	**10,448,524**	**952,946**	**66,091**	**1,533**	**283**	**-**	**21**	**222**	**1,021,096**	**9.8%**
Costs for raw materials and services	9,790,846	503,332	85		283		21	222	503,943	5.1%
Other operating costs	657,678	449,614	66,006	1,533					517,153	78.6%
Labour costs	**195,727**	**-**	**-**	**-**	**-**	**-**	**-**	**1,240**	**1,240**	**0.6%**
Amortization, depreciation, provisions and write-downs	**182,245**	**7,751**	**-**	**-**	**-**	**-**	**-**	**-**	**7,751**	**4.3%**
Result from non-recurring transactions	**1,790**	**-**	**-**	**1,790**	**-**	**-**	**-**	**-**	**1,790**	**100.0%**
Financial balance	**337,639**	**452,861**	**84**	**-**	**-**	**-**	**-**	**-**	**452,945**	**n.s.**
Financial income	520,117	463,245	92						463,337	89.1%
Financial expenses	182,478	10,384	8						10,392	5.7%

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 totalling 3,274 thousand 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.

2.10

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

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

The year in question has seen the following non-recurring transactions:

- acquisition of the "Asset Management" business unit from Unareti S.p.A. effective June 1, 2023;
- transfer of the "Group Shared Services & Real Estate" business unit to A2A Services & Real Estate S.p.A. effective October 1, 2023.

The sale of land in the Bovisa area (Milan) to the Municipality of Milan was completed in December. The sale took place for a monetary value of 4,000 thousand euro which, net of the book value of assets of 2,210 thousand euro, generated an impact on the income statement of 1,790 thousand euro, before the tax effect, recorded under the item "Result from non-recurring transactions".

Detail of non-recurring transactions amounts in euro	Note	Acquisition of the "Asset Management" business unit 06 01 2023	Transfer of the "Group Shared Services & Real Estate" business unit to A2A Services & Real Estate S.p.A. 10 01 2023	Effect of non-recurring transactions
Assets				
Non-current assets				
Tangible assets	1			-
Intangible assets	2	1,514,713		1,514,713
Shareholdings	3		804,000	804,000
Other non-current financial assets	3			-
Deferred tax assets	4	27,238	(806,140)	(778,902)
Other non-current assets	5			-
Total non-current assets		**1,541,952**	**(2,140)**	**1,539,811**
Current assets				
Inventories	6			-
Trade receivables	7			-
Other current assets	8			-
Current financial assets	9	(586,000)		(586,000)
Current tax assets	10			-
Cash and cash equivalents	11			-
Total current assets		**(586,000)**	**-**	**(586,000)**
Non-current assets held for sale	12			**-**
Total assets		**955,952**	**(2,140)**	**953,811**
Equity and liabilities				
Equity				
Share capital	13			-
(Treasury shares)				-
Reserves	14		8,994,789	8,994,789
Result of the year	15			-
Total shareholders' equity		**-**	**8,994,789**	**8,994,789**
Liabilities				
Non-current liabilities				
Non-current financial liabilities	16			-
Deferred tax liabilities	4			-
Employee benefits	17	427,377	(4,924,826)	(4,497,449)
Provisions for risks, charges and liabilities for landfills	18		(1,501,005)	(1,501,005)
Other non-current liabilities	19			-
Total non-current liabilities		**427,377**	**(6,425,831)**	**(5,998,454)**
Current liabilities				
Trade payables	20			-
Other current liabilities	20	528,575	(2,571,098)	(2,042,523)
Current financial liabilities	21			-
Tax liabilities	22			-
Total current liabilities		**528,575**	**(2,571,098)**	**(2,042,523)**
Total liabilities		**955,952**	**(8,996,929)**	**(8,040,977)**
Liabilities directly associated with non-current assets held for sale		**-**	**-**	**-**
Total equity and liabilities		**955,952**	**(2,140)**	**953,812**

2.11

Guarantees and commitments with third parties

thousands of euro	12 31 2023	12 31 2022
Guarantees received	341,681	305,449
Guarantees provided	540,555	622,798

Guarantees received

Guarantees received amounted to 341,681 thousand euro (305,449 thousand euro at December 31, 2022) and include 55,461 thousand euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 286,220 thousand euro for sureties and security deposits received from customers to guarantee the regularity of payments.

Guarantees provided and commitments with third parties

Guarantees provided amounted to 540,555 thousand euro (622,798 thousand euro at December 31, 2022), of which for obligations undertaken in the loan agreements of 80 thousand euro. Said guarantees include bank sureties for 540,475 thousand euro and parent company guarantees for 80 thousand euro.

2.12
Other information

1) Significant events after December 31, 2023

Reference should be made to the specific section of this Report on Operations for a description of subsequent events.

2) Information on treasury shares

A2A S.p.A. does not hold any treasury shares at December 31, 2023.

At December 31, 2023, no treasury shares were held through subsidiaries, finance companies or nominees.

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

The item "Non-current assets held for sale" as at December 31, 2023 had no value.

During the year 2023, the sale was finalized of the residual portion not yet sold of the equity investment in Sviluppo Turistico Lago d'Iseo S.p.A., which was recognized in "Non-current assets held for sale" at December 31, 2022.

4) 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 A2A S.p.A. (and its subsidiaries) 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).

5) Financial risk management

The Parent Company, A2A S.p.A., provides centralized risk management for Group companies.

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 A2A S.p.A. is exposed are provided below.

a. Commodity risk

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

A2A S.p.A. is exposed to price risk, including the related exchange rate risk, on all of the energy commodities that it handles, namely electricity, natural gas, heat, coal, fuel oil, and environmental certificates; the financial performance of production, purchasing and sales activities is affected by the related price fluctuations. 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 Euroelectric. 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), A2A S.p.A. 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 -2,272 thousand euro (32,387 thousand euro at December 31, 2022).

Derivatives of the industrial portfolio not considered hedges

Again with a view to optimizing the Industrial Portfolio, A2A S.p.A. entered into Future contracts 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 1,125 thousand euro (220 thousand euro at December 31, 2022).

Derivatives of the Trading Portfolio

As part of its trading activity, A2A S.p.A. has taken out Future contracts on major European energy stock exchanges (EEX, ICE) and forward contracts on the price of electricity with delivery in Italy and neighboring countries such as France, Germany and Switzerland. A2A S.p.A. 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 -26,882 thousand euro (268,140 thousand euro at December 31, 2022).

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

PaR[1] (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 A2A S.p.A. 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 thousand euro (192,226 thousand euro at December 31, 2022).

The following are the results of the simulation with the related maximum variances:

thousands 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**

This means that with a 99% probability, A2A S.p.A. expects not to have changes in fair value exceeding 113,328 thousand euro in the fair value of its entire portfolio of financial instruments at December 31, 2023 due to 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 A2A S.p.A. 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

Under 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 480 thousand euro at December 31, 2023 (2,948 thousand euro 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:

thousands 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	**(480)**	**(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 floating rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

The book value of bank borrowings and other financing may be analyzed as follows at December 31, 2023:

millions of euro	12 31 2023			12 31 2022		
	No derivatives	With derivatives	% with derivatives	No derivatives	With derivatives	% with derivatives
Fixed rate	5,065	5,157	88%	4,849	4,969	78%
Variable rate	770	678	12%	1,559	1,439	22%
Total	**5,835**	**5,835**	**100%**	**6,408**	**6,408**	**100%**

A2A 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 is impacted 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	2.7	(2.7)	-	-
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	-	-	-	-
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 loan in foreign currency	(10.7)	98.0	7.2	98.0
Total		**(10.7)**	**98.0**	**7.2**	**98.0**

The accounting treatment of the derivative indicated above is 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	CCIRS	-	-	-	-	98.0	98.0	(10.7)	7.2
Total		**-**	**-**	**-**	**-**	**98.0**	**98.0**	**(10.7)**	**7.2**

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 gross debt maturities of A2A for loans from banks and other lenders is summarized 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	300	597	298	496	3,109
Loans	678	222	456	76	61	58	58	203
Total	**5,835**	**579**	**5,256**	**376**	**658**	**356**	**554**	**3,312**

The risk management policy is realized through (i) a debt management strategy diversified by funding sources and maturities, and (ii) maintenance of financial resources sufficient to meet scheduled and unexpected commitments over a given time horizon.

At December 31, 2023, the company had a total of 3,397 million euro, as follows: (i) committed revolving credit lines for 1,560 million euro, of which: a) 560 million euro maturing in 2025, b) 800 million euro maturing in 2026 and c) 200 million euro maturing in 2028, not used; (ii) cash and cash equivalents for a total of 1,487 million euro, iii) term loans available and not yet disbursed for 350 million euro with maturities between 2033 and 2043.

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 may lead to an increase in the financing costs of the debt instruments to which these KPIs are linked. Similarly, failure to realize investments financed with Green Bonds may result in a risk of lack of access to certain sources of financing.

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
Payables and other financial liabilities	4	239	507
Total financial flows	**345**	**306**	**6,005**
Payables to suppliers	336	8	1
Total trade payables	**336**	**8**	**1**

12 31 2022 millions of euro	1- 3 MONTHS	4- 12 MONTHS	BEYOND 12 MONTHS
Bonds	19	379	5,165
Payables and other financial liabilities	55	1,122	1,110
Total financial flows	**74**	**1,501**	**6,275**
Payables to suppliers	483	11	2
Total trade payables	**483**	**11**	**2**

e. Credit risk

Credit risk relates to the possibility that a counterparty 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. 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 recognized on the balance sheet net of any write-downs. It is felt that the amount shown provides and accurate representation of the fair value of the trade receivables portfolio.

For the aging of trade receivables, reference is made to note 7) Trade receivables.

f. Equity risk

A2A S.p.A. was not exposed to equity risk at December 31, 2023. In particular, it should be noted that 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: (i) negative pledge clauses as a result of which the parent company undertakes not to constitute collateral on its assets and those of its relevant subsidiaries (as defined from time to time in the related documentation), with the provision of some exceptions and a threshold maximum permitted specifically identified; (ii) cross default/acceleration clauses that entail the obligation of immediate repayment of bonds and loans in the event of serious defaults; (iii) clauses that provide for the obligation of immediate repayment of bonds and loans in the event of insolvency or other insolvency proceedings of the parent company or its relevant subsidiaries.

The bonds 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 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.

The committed revolving bank lines of A2A, 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.

As at December 31, 2023, there was no non-compliance with the above-mentioned covenants by A2A.

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.

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.

A2A S.p.A. 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 S.p.A. 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 a counterparty defaults and, at the same time, A2A S.p.A. has a claim against the counterparty;
- the DVA is a positive component and contemplates the probability that A2A S.p.A. defaults and, at the same time, a counterparty has a claim against A2A S.p.A..

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 outstanding amounts of derivative contracts stipulated and not expired at the balance sheet date, by maturity.

thousands of euro	Notional value (a)						Value Balance sheet (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								
not considered hedges as per IFRS 9								
Total derivatives on interest rates	-	-	-	-	-	-	-	-
Exchange rate risk management								
considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions						98,000	(10,703)	
not considered hedges as per IFRS 9								
- on commercial transactions								
- on non-commercial transactions								
Total derivatives on exchange rates	-	-	-	-	-	**98,000**	**(10,703)**	-

(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 the stipulation of the contract to the present day.

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		**Value Balance sheet (*)**	**Progressive effect to income statement (**)**
Energy product price risk management	Unit of measurement	Quantity			Thousands of euro	Thousands of euro	Thousands of euro
A. Cash flow hedges as per IFRS 9, including:						**(2,271.6)**	**-**
- Electricity	TWh	0.4	0.1	0.2	57,077.3	(3,607.9)	
- Oil	Bbl						
- Coal	Tonnes						
- Natural Gas	TWh	0.6			30,223.8	3,925.2	
- Natural Gas	Millions of cubic metres						
- Natural Gas	Degrees day						
- Exchange rate	Millions of dollars						
- Emission rights	Tonnes	347,000	2,000		30,256.7	(2,588.9)	
B. considered fair value hedges as per IFRS 9						**-**	**-**
C. not considered hedges as per IFRS 9 of which						**(25,756.6)**	**(294,116.0)**
C.1 hedge margin						**1,125.1**	**905.3**
- Electricity	TWh						
- Oil	Bbl						
- Natural Gas	TWh						
- Natural Gas	Millions of cubic metres						
- CO2 emission rights	Tonnes	127,000			11,415.7	1,125.1	905.3
- Exchange rate	Millions of dollars						
C.2 trading transactions						**(26,881.7)**	**(295,021.3)**
- Electricity	TWh	15.3	4.2		2,737,833.0	(74,798.0)	(165,231.5)
- Natural Gas	TWh	105.4	16.6	2.4	6,357,498.4	47,840.6	(129,536.3)
- CO2 emission rights	Tonnes	2,304,000	344,000		236,924.4	75.7	(253.5)
- Environmental Certificates	MWh						-
- Environmental Certificates	Tep						-
Total						**(28,028.2)**	**(294,116.0)**

(*) 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.

C) On investments

At December 31, 2023, there are no derivatives on shareholdings like in the previous year.

Financial and operating effects for derivative transactions in 2023

Effects on the balance sheet

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

thousands of euro	Notes	Total
Assets		
Non-current assets		**-**
Other non-current assets - Derivatives	5	-
Current assets		**1,525,283**
Other current assets - Derivatives	8	1,525,283
Total assets		**1,525,283**
Liabilities		
Non-current liabilities		**10,703**
Other non-current liabilities - Derivatives	19	10,703
Current liabilities		**1,553,311**
Trade payables and other current liabilities - Derivatives	20	1,553,311
Total liabilities		**1,564,014**

Effect on the income statement

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

thousands of euro	Notes	Realised 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		41,072	-	41,072
- not considered hedges as per IFRS 9		799,707	453,937	1,253,644
Total revenues from the sale of goods		**840,779**	**453,937**	**1,294,716**
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		(65,077)	-	(65,077)
- not considered hedges as per IFRS 9		(533,222)	(748,053)	(1,281,275)
Total costs for raw materials and services		**(598,299)**	**(748,053)**	**(1,346,352)**
Total recognized in Gross operating income (*)		**242,480**	**(294,116)**	**(51,636)**
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		(59)	-	(59)
- not considered hedges as per IFRS 9		-	-	-
Total		**(59)**	**-**	**(59)**
Total Financial expenses		**(59)**	**-**	**(59)**
Total recognized in financial balance		**(59)**	**-**	**(59)**

(*) 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					
thousands of euro	Notes	Financial instruments measured at fair value with changes recognized in:			Financial instruments measured at amortized cost	**Amount as stated in the consolidated balance sheet**	**Fair value (*)**
		Income statement	Equity				
		(1)	(2)	(3)	(4)		
Assets							
Other non-current financial assets							
Financial assets measured at fair value of which:							
-unlisted		888				888	n.a.
-listed						-	-
Financial assets held to maturity					96	96	96
Other non-current financial assets					573,960	573,960	573,960
Total other non-current financial assets	3					**574,944**	
Other non-current assets	5				50,293	50,293	50,293
Trade receivables	7				2,179,878	2,179,878	2,179,878
Other current assets	8	1,514,714	10,569		456,272	1,981,555	1,981,555
Current financial assets	9				3,478,748	3,478,748	3,478,748
Cash and cash equivalents	11					-	-
Liabilities							
Financial liabilities							
Non-current and current bonds	16 and 21		89,238		5,067,704	5,156,942	5,156,942
Other non-current and current financial liabilities	16 and 21				1,336,412	1,336,412	1,336,412
Other non-current liabilities	19		10,703		3,455	14,158	14,158
Trade payables	20				2,978,488	2,978,488	2,978,488
Other current liabilities	20	1,540,470	12,841		166,026	1,719,337	1,719,337

(*) 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.

thousands of euro	Notes	Level 1	Level 2	Level 3	Total
Assets measured at fair value	3		888		888
Other current assets	8	1,524,308	190	785	1,525,283
Total assets		**1,524,308**	**1,078**	**785**	**1,526,171**
Non-current financial liabilities	16	89,238			89,238
Other non-current liabilities	19		10,703		10,703
Other current liabilities	20	1,551,923	1,385	3	1,553,311
Total liabilities		**1,641,161**	**12,088**	**3**	**1,653,252**

6) Main regulatory provisions regarding concessions and agreements in the sectors of activity in which the company 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.

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

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 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. 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.

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.

7) 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 company 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 cessation of the previous risk situation.

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. 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 company, 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 board of arbitrators, with the dissenting opinion of the arbitrator appointed by A2A S.p.A., found A2A S.p.A. liable for the breach of the shareholders' agreement and, consequently, ordered it to pay damages, which were settled 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, Ord. 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 (Ord. no. 4371/2024) concessions, while the judgments are still pending relating to the Lovero and Stazzona concessions, in which A2A has obtained 2nd instance rulings (Superior Court of Public Waters (TSAP) sent. nos. 171/2023 and 2/2024) in favor, 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 so-called binomio State fee, 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 sent. 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.

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 defence 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.

* * *

The following information is provided in connection with the main litigation of a fiscal nature.

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.

8) Contingent assets arising from environmental certificates

At December 31, 2023, A2A S.p.A. had a surplus of environmental certificates.

9) Auditors' fees

In accordance with Article 2427, paragraph 16-bis, of the Italian civil code, it is hereby reported that the company paid EY S.p.A. total fees for the legally required auditing of the annual accounts and for other services provided during the year in the amount of 376 thousand euro.

10) Registered office

The registered office of the company is in Brescia in Via Lamarmora 230.

3

Attachments

3.1

1/a. Statement of changes in investments in subsidiaries

Shareholdings thousands of euro	Balance at financial statements 12 31 2022	Changes					Balance at financial statements 12 31 2023	% held
		Effect of non-recurring transactions	Increases	Decreases	Write-downs	Other changes		
Financial assets								
Subsidiaries:								
Unareti S.p.A.	1,338,836						1,338,836	100.00%
A2A Ambiente S.p.A.	734,634						734,634	100.00%
A2A gencogas S.p.A.	606,817						606,817	100.00%
A2A Calore & Servizi S.r.l.	387,950						387,950	100.00%
Acinque S.p.A.	190,422						190,422	41.34%
A2A Energiefuture S.p.A.	189,730						189,730	100.00%
A2A Ciclo Idrico S.p.A.	167,000						167,000	100.00%
Ambiente Energia Brianza S.p.A.	158,638						158,638	33.52%
LD Reti S.r.l.	153,895						153,895	95.60%
A2A Energia S.p.A.	122,545						122,545	100.00%
A2A Rinnovabili S.p.A.	50		50,000				50,050	100.00%
Retragas S.r.l.	30,105						30,105	87.27%
Linea Green S.p.A.	24,806						24,806	100.00%
A2A Smart City S.p.A.	14,456						14,456	100.00%
Azienda Servizi Valtrompia S.p.A.	10,758						10,758	74.55%
A2A E-MOBILITY S.r.l.	3,010		6,200				9,210	100.00%
A2A Energy Solution S.r.l.	4,575						4,575	100.00%
A2A Services & Real Estate S.p.A.	-	804	50				854	81.33%
Camuna Energia S.r.l.	740						740	74.50%
A2A Montenegro d.o.o.	102						102	100.00%
A2A Security S.c.p.A.	24						24	45.96%
ES Energy S.r.l.	5						5	50.00%
Yada Energia S.r.l.	40,010			(40,010)			-	
Proaris S.r.l. in liquidation	3,557				(207)	(2,500)	850	60.00%
A2A Alfa S.r.l. in liquidation	-						-	70.00%
Total subsidiaries	**4,182,665**	**804**	**56,250**	**(40,010)**	**(207)**	**(2,500)**	**4,197,002**	

3.2
1/b. Statement of changes in investments in affiliates

Shareholdings thousands of euro	Balance at financial statements 12 31 2022	Changes					Balance at financial statements 12 31 2023	% held
		Increases	Decreases	Effect of non-recurring transactions	Other changes	Reclassifications		
Financial assets								
Affiliates:								
Blugas Infrastrutture S.r.l.						4,269	4,269	27.51%
SET S.p.A.	467						467	49.00%
Serio Energia S.r.l.	400						400	40.00%
Crit S.c.a.r.l.		225					225	33.00%
Visano Società Trattamento Reflui S.c.a.r.l.	10						10	40.00%
Total affiliates	**877**	**225**	**-**	**-**	**-**	**4,269**	**5,371**	
Equity investments held for sale								
Sviluppo Turistico Lago d'Iseo S.p.A.	37		(37)				-	

3.3

1/c. Statement of changes in investments in other companies

Company Name thousands of euro	Shareholding %	Shareholder	Carrying amount at 12 31 2023
Available-for-sale financial assets			
MUSA-Multilayered Urban Sustainability Action S.c.a.r.l.	7.00%	A2A S.p.A.	307
Immobiliare-Fiera di Brescia S.p.A.	0.90%	A2A S.p.A.	280
Others:			
AQM S.r.l.	7.52%	A2A S.p.A.	
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.	8.57%	A2A S.p.A.	
E.M.I.T. S.r.l. in liquidation	10.00%	A2A S.p.A.	
Stradivaria S.p.A.	n.s.	A2A S.p.A.	
DI.T.N.E. S.c.a.r.l.	1.82%	A2A S.p.A.	
Total other financial assets			**301**
Total available-for-sale financial assets			**888**

Note: A2A S.p.A. took part in the setting up of Società Cooperativa Polo dell'innovazione della Valtellina, subscribing 5 shares having a nominal value of 50 euro.

3.4
2/a. List of investments in subsidiaries

Company Name thousands of euro	Registered office	Share capital at 12 31 2023	Equity at 12 31 2023	Result at 12 31 2023	% held	Pro-rata amount (a)	Balance at financial statements (b)	Delta (a-b)
Subsidiaries:								
Unareti S.p.A.	Brescia	965,250	1,377,107	43,086	100.00%	1,377,107	1,338,836	38,271
A2A Ambiente S.p.A.	Brescia	250,000	595,624	126,925	100.00%	595,624	734,634	(139,010)
A2A gencogas S.p.A.	Milan	450,000	697,543	31,594	100.00%	697,543	606,817	90,726
A2A Calore & Servizi S.r.l.	Brescia	150,000	423,668	23,050	100.00%	423,668	387,950	35,718
Acinque S.p.A.	Monza	197,344	442,172	17,512	41.34%	182,794	190,422	(7,628)
A2A Energiefuture S.p.A.	Milan	50,000	203,985	37,009	100.00%	203,985	189,730	14,255
A2A Ciclo Idrico S.p.A.	Brescia	70,000	219,871	13,557	100.00%	219,871	167,000	52,871
Ambiente Energia Brianza S.p.A.	Seregno (MB)	119,496	426,357	16,774	33.52%	142,915	158,638	(15,723)
LD Reti S.r.l.	Lodi	32,976	165,115	5,127	95.60%	157,850	153,895	3,955
A2A Energia S.p.A.	Milan	3,000	218,769	106,072	100.00%	218,769	122,545	96,224
A2A Rinnovabili S.p.A.	Milan	50	127,514	66,384	100.00%	127,514	50,050	77,464
Retragas S.r.l.	Brescia	34,495	39,591	845	87.27%	34,551	30,105	4,446
Linea Green S.p.A.	Cremona	7,000	20,720	4,450	100.00%	20,720	24,806	(4,086)
A2A Smart City S.p.A.	Brescia	3,448	10,680	(2,754)	100.00%	10,680	14,456	(3,776)
Azienda Servizi Valtrompia S.p.A.	Gardone Val Trompia (BS)	8,939	25,045	(773)	74.55%	18,671	10,758	7,913
A2A E-MOBILITY S.r.l.	Milan	1,000	5,050	(2,837)	100.00%	5,050	9,210	(4,160)
A2A Energy Solutions S.r.l.	Milan	4,000	3,721	(5,794)	100.00%	3,721	4,575	(854)
A2A Services & Real Estate S.p.A.	Milan	1,050	1,494	17	81.33%	1,215	854	361
Camuna Energia S.r.l.	Cedegolo (BS)	900	985	(45)	74.50%	734	740	(6)
A2A Montenegro d.o.o.	Podgorica (Montenegro)	100	67	(18)	100.00%	67	102	(35)
A2A Security S.c.p.A.	Milan	52	551	60	45.96%	253	24	229
ES Energy S.r.l.	Jesi (AN)	10	820	109	50.00%	410	5	405
Proaris S.r.l. in liquidation	Milan	1,875	881	52	60.00%	529	850	(321)
A2A Alfa S.r.l. in liquidation	Milan	100	7	4	70.00%	5	-	5

3.5
2/b. List of investments in affiliates

Company Name thousands of euro	Registered office	Share capital at 12 31 2022 (*)	Equity at 12 31 2022 (*)	Result at 12 31 2022 (*)	% held	Pro-rata amount (a)	Balance at financial statements (b)	Delta (a-b)
Blugas Infrastrutture S.r.l.	Mantova	14,300	16,454	116	27.51%	4,526	4,269	257
SET S.p.A.	Toscolano Maderno (Bs)	104	2,385	351	49.00%	1,169	467	702
Serio Energia S.r.l.	Concordia sulla Secchia (Mo)	1,000	820	(1,168)	40.00%	328	400	(72)
Crit S.c.a.r.l.	Cremona	548	378	(268)	33.00%	125	225	(100)
Visano Società Trattamento Reflui S.c.a.r.l.	Brescia	25	26	-	40.00%	10	10	-

(*) Figures of the financial statements at December 31, 2022 latest available financial statements.

3.6

Key data of the financial statements of the main subsidiaries and affiliates prepared according to IAS/IFRS

(pursuant to art. 2429.4 of the Italian Civil Code)

Subsidiaries

	Unareti S.p.A.		A2A gencogas S.p.A.		A2A Energiefuture S.p.A.		A2A Ambiente S.p.A.	
Share capital	Euro	965,250,000	Euro	450,000,000	Euro	50,000,000	Euro	250,000,000
% held	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%
Description thousands of euro	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022
Revenues	493,135	464,044	422,177	594,011	425,671	685,731	839,579	645,286
Gross operating income	247,380	209,376	118,782	110,030	60,186	(11,535)	260,199	232,555
Net operating income	90,884	73,790	50,817	39,017	35,602	(22,068)	169,841	184,330
Result before taxes	58,689	66,561	34,544	31,209	36,102	(24,832)	161,698	192,443
Result of the year	43,086	50,557	31,594	15,965	37,009	(28,936)	126,925	141,746
Assets	2,595,861	2,419,438	1,357,752	1,492,827	717,656	890,535	1,720,967	1,376,057
Liabilities	1,218,754	1,038,080	660,209	811,909	513,671	723,420	1,125,344	692,671
Equity	1,377,107	1,381,358	697,543	680,918	203,985	167,115	595,624	683,386
Net financial position	(770,068)	(725,334)	(273,387)	(250,971)	234,227	464,489	(618,763)	(208,819)

Subsidiaries

	LD Reti S.r.l.		Linea Green S.p.A.		Azienda Servizi Valtrompia S.p.A.		A2A Security S.c.p.a.	
Share capital	Euro	32,975,717	Euro	7,000,000	Euro	8,938,941	Euro	52,000
% held	A2A S.p.A.	95.60%	A2A S.p.A.	100.00%	A2A S.p.A. Unareti S.p.A.	74.55% 0.25%	A2A S.p.A. Unareti S.p.A. A2A Ciclo Idrico S.p.A. Amsa S.p.A. A2A gencogas S.p.A. A2A Ambiente S.p.A. A2A Calore & Servizi S.r.l. A2A Energiefuture S.p.A. Altre società	45.96% 18.37% 10.49% 9.14% 3.95% 4.30% 2.60% 1.93% 3.26%
Description thousands of euro	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022 Restated	**12 31 2023**	12 31 2022
Revenues	56,099	50,711	16,847	118,850	10,674	3,718	1,629	1,477
Gross operating income	25,344	24,087	12,015	35,888	(756)	(2,016)	425	337
Net operating income	10,891	10,806	7,330	18,033	(2,054)	(3,131)	103	102
Result before taxes	7,204	9,696	6,535	15,814	(3,172)	(3,519)	83	100
Result of the year	5,127	7,490	4,450	12,476	(773)	662	60	69
Assets	276,505	272,431	52,709	70,320	58,209	86,982	1,244	1,186
Liabilities	111,390	105,274	31,990	41,678	33,164	61,159	693	694
Equity	165,115	167,157	20,720	28,642	25,045	25,822	551	492
Net financial position	(86,798)	(77,502)	(22,801)	728	(24,639)	(38,204)	(140)	(10)

A2A Calore & Servizi S.r.l.		A2A Energia S.p.A.		A2A Smart City S.p.A.		Retragas S.r.l.		A2A Ciclo Idrico S.p.A.	
Euro	150,000,000	Euro	3,000,000	Euro	3,448,276	Euro	34,494,650	Euro	70,000,000
A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A. Unareti S.p.A.	87.27% 4.33%	A2A S.p.A.	100.00%
12 31 2023	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022
374,778	410,188	6,361,106	7,865,570	44,578	42,916	8,768	8,485	113,690	105,441
87,339	94,250	263,541	104,793	8,833	9,913	3,814	2,805	53,323	42,127
43,033	54,862	159,474	(3,145)	(1,613)	(1,491)	1,064	105	30,031	19,706
28,738	50,104	155,237	(6,283)	(3,666)	1,644	1,215	104	18,929	17,436
23,050	40,848	106,072	(9,806)	(2,754)	1,936	845	(8)	13,557	12,622
979,008	972,116	2,119,204	2,043,035	106,028	108,287	48,681	50,321	567,984	512,407
936,306	532,753	1,900,435	1,930,404	95,348	94,838	9,091	11,076	348,113	299,885
42,702	439,363	218,769	112,631	10,680	13,448	39,591	39,245	219,871	212,522
(388,485)	(348,639)	(291,033)	(377,039)	(64,432)	(58,118)	10,053	11,741	(28,373)	(237,034)

A2A Rinnovabili S.p.A.		A2A Energy Solution S.r.l.		Acinque S.p.A.		Ambiente Energia Brianza S.p.A.		A2A Services & Real Estate S.p.A.	
Euro	50,000	Euro	4,000,000	Euro	197,343,794	Euro	119,495,575	Euro	1,050,000
A2A S.p.A.	100.00%	A2A S.p.A.	100.00%	A2A S.p.A.	41.34%	A2A S.p.A.	33.52%	A2A S.p.A.	33.52%
12 31 2023	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022
85,167	32,225	55,906	36,394	21,364	19,845	18,319	19,007	11,336	-
72,227	23,769	2,615	1,149	(4,607)	(4,678)	(1,807)	(679)	453	-
55,113	8,596	110	(1,197)	(11,981)	(10,803)	(5,067)	(3,518)	196	-
37,018	18,270	(6,380)	(420)	15,861	16,472	15,745	23,744	189	-
66,384	12,145	(5,794)	(125)	17,512	18,134	16,774	24,566	17	-
878,310	783,897	90,057	58,693	771,262	752,206	470,053	488,593	17,635	-
750,796	770,193	86,337	49,172	329,091	311,040	43,696	57,245	16,140	-
127,514	13,704	3,721	9,521	442,172	441,166	426,357	431,348	1,494	-
(724,408)	(750,588)	(67,184)	(33,054)	(58,606)	(61,123)	(28,935)	(7,418)	798	-

3.7

Key data of the financial statements of the main subsidiaries and affiliates prepared according to ITALIAN GAAP

(pursuant to art. 2429.4 of the Italian Civil Code)

Subsidiaries

	A2A E-MOBILITY S.r.l.		ES Energy S.r.l.		Proparis S.r.l. in liquidation	
Share capital	Euro	1,000,000	Euro	10,000	Euro	1,875,000
% held	A2A S.p.A.	100.00%	A2A S.p.A.	50.00%	A2A S.p.A.	60.00%
Description thousands of euro	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022	**12 31 2023**	12 31 2022
Revenues	5,483	5,139	10,221	13,628	126	107
Gross operating income	(1,434)	(1,803)	186	469	-	-
Net operating income	(2,816)	(2,407)	186	469	-	-
Result before taxes	(3,515)	(2,508)	186	469	-	-
Result of the year	(2,837)	(1,953)	109	336	52	(5)
Assets	25,830	15,701	1,692	1,856	987	5,812
Liabilities	(24,672)	14,014	873	945	106	668
Equity	50,502	1,687	820	910	881	5,144
Net financial position	(15,169)	(8,663)	907	1,141	813	3,349

Affiliates

	Blugas Infrastrutture S.r.l.		Serio Energia S.r.l.		Società Elettrica di Toscolano Maderno S.r.l.	
Share capital	Euro	14,300,000	Euro	1,000,000	Euro	104,000
% held	A2A S.p.A.	27.51%	A2A S.p.A.	40.00%	A2A S.p.A.	49.00%
Description thousands of euro	**12 31 2022**	12 31 2021	**12 31 2022**	12 31 2021	**12 31 2022**	12 31 2021
Revenues	2,039	2,487	3,831	2,138	879	1,446
Gross operating income	1,576	2,005	270	270	646	1,207
Net operating income	731	1,172	247	247	493	1,049
Result before taxes	182	599	(1,168)	32	485	1,041
Result of the year	116	435	(1,168)	30	351	762
Assets	35,128	34,684	3,065	2,576	2,892	3,621
Liabilities	18,674	18,346	2,245	588	508	787
Equity	16,454	16,338	820	1,988	2,385	2,834
Net financial position	(12,470)	(13,470)	599	1,237	375	857

	Crit S.c.a.r.l.		Visano Società Trattamento Reflui S.c.a.r.l.	
	Euro	548,400	Euro	25,000
	A2A S.p.A.	33.00%	A2A S.p.A.	40.00%
	12 31 2022	12 31 2021	**12 31 2022**	12 31 2021
	182	155	66	30
	(198)	(24)	-	-
	(269)	(98)	-	-
	(274)	(100)	-	-
	(268)	(99)	-	-
	875	807	81	53
	497	528	55	27
	378	279	26	26
	n.a.	n.a.	-	5

3.8

Certification of the 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 annual financial statements 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;

   2.2 the report on operations includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, March 11, 2024

Renato Mazzoncini (Chief Executive Officer)	Luca Moroni (Financial Reporting Manager)

4

Independent Auditors' Report

Independent Auditors' Report

EY S.p.A.
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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 Financial Statements

Opinion

We have audited the financial statements of A2A S.p.A. (the Company), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, statement of changes in equity and the cash-flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 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 Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit response
Valuation of shareholdings in subsidiaries At December 31, 2023, the shareholdings in subsidiaries amounted to 4.197 million euro. The management assesses at least annually the existence of impairment indicators of each investment for the purpose of preparing the impairment test. The processes and methodologies for assessing and determining the recoverable amount of each shareholdings in subsidiaries are based on complex assumptions, that by their nature imply the use of the management's judgment, in particular with reference to (*i*) the identification of impairment indicators, (*ii*) the forecast of future cash flows relating to the period covered by the Group's strategic plan 2024-2035 approved by Directors on March 11, 2024, (*iii*) the normalized cash flows or the net realized value of the assets assumed as a basis for the terminal value, (*iv*) the long-term growth rates and discount rates applied to such cash flows forecasts and (*v*) 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, as well as by changes in regulations, if any, and new authorization processes and laws. In consideration of the judgment required and of the complexity of the assumptions used in the estimate of the recoverable amount of investments, we have considered that this area represents a key audit matter. The disclosures related to the recoverability of the investment in subsidiaries are included in the paragraph "Use of estimates" and in note n.3 "Shareholdings and other non-current financial assets" of the notes to the financial statements.	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 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, regulatory environment, authorization processes and new laws; • assessment of the consistency between the future cash flows assumed in the Group A2A's strategic plan and the cash flows forecasts assumed for shareholdings in subsidiaries, 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 leveraged the used of EY valuation specialists who performed an independent calculation. Lastly, we reviewed the adequacy of the disclosures included in the notes to the financial statements with reference to the recoverability analysis of shareholdings in subsidiaries.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going

concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 11 June 2015, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2016 to 31 December 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 Company in conducting the audit.

We confirm that the opinion on the 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 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 financial statements as at December 31, 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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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 Operation and of the Report on Corporate Governance and Ownership Structure of A2A S.p.A. as at December 31, 2023, including their consistency with the related 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 financial statements of A2A S.p.A. 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 Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of A2A S.p.A. 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.

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.

5

Report of the Board of Auditors

5

Report of the Board of Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429, paragraph 2 of the Italian Civil Code and Article 153 of Legislative Decree no. 58/1998)

Shareholders,

the Board of Statutory Auditors of A2A S.p.A. (hereinafter also "A2A" or the "Company") is required to report to the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023, with respect to the supervisory activities performed and any reprehensible facts or omissions found, pursuant to Article 153 of Legislative Decree no. 58/1998 (hereinafter also "Consolidated Law on Finance" or "TUF") and Article 2429, paragraph 2 of the Italian Civil Code.

Pursuant to Article 149 of the Consolidated Law on Finance, the Board of Statutory Auditors is also called upon to supervise, *inter alia*, compliance with the law, the Memorandum of Association and the Articles of Association, the principles of proper administration, the adequacy of the administrative and accounting system and the reliability of the latter to represent management events, the internal control and risk management system, the system of delegation of powers and control in respect of subsidiaries, to ensure that the latter provide all the information necessary to fulfil the required reporting obligations.

The Board of Statutory Auditors is also called upon to make any proposals regarding the annual financial statements and their approval, for those aspects falling within its remit.

The activities performed by the Board of Statutory Auditors during 2023 and up to the date of today's Report are reported below, also with reference to the requirements of CONSOB Communication no. DEM/1025564 of April 6, 2001 and subsequent amendments and/or additions.

The draft financial statements and the consolidated financial statements were approved by the Company's Board of Directors on March 11, 2024 and together with the relevant Annexes were made available within the terms set forth in Article 154-*ter* of the Consolidated Law on Finance.

Appointment and operation of the Board of Statutory Auditors.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of A2A on April 28, 2023 and will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ending December 31, 2025. The following were appointed as Standing Auditors: Ms. Silvia Muzi (Chair), Mr. Maurizio Dallocchio (Standing Auditor) and Ms. Chiara Segala (Standing Auditor). In addition, Ms. Patrizia Lucia Maria Riva and Mr. Vieri Chimenti were appointed as Alternate Auditors.

After the appointment of the Corporate Bodies, the Board of Statutory Auditors verified, with a positive outcome, the fulfilment of the requirements of professionalism, honourableness and independence envisaged by Article 148 of the Consolidated Law on Finance and Article 2399 of the Italian Civil Code, as well as verified the compliance with the limits on the accumulation of offices envisaged by Article 144-*terdecies* of the Issuers' Regulation and the compliance with the criteria of competence and fairness, envisaged both by the laws in force and by Article 30, paragraphs .2 and .3 of the Articles of Association.

The same assessment was again carried out with a positive outcome in February 2024, also in compliance with the procedure laid down by the National Council of Chartered Accountants and Accounting Experts for listed companies in this regard.

During the financial year 2023, the Board of Statutory Auditors performed its duties in accordance with the Italian Civil Code, the Consolidated Law on Finance, the indications provided by CONSOB on the subject, as well as the Rules of Conduct for the Board of Statutory Auditors of Listed Companies issued by the National Council of Chartered Accountants and Accounting Experts (December 2023 edition).

The supervisory activity was also carried out in accordance with the provisions of the Corporate Governance Code (January 2020 edition) to which A2A adheres, and not least the provisions of Legislative Decree no. 39 of 2010 as amended by Legislative Decree no. 135 of July 17, 2016, i.e. the function that the Board of Statutory Auditors performs with regard to its role as the Internal Control and Audit Committee (CCIRC), to which further specific control and monitoring functions in the field of financial reporting and auditing are assigned.

1. **Compliance with the law and the Articles of Associations.**

The Company acted in accordance with the provisions of the Italian Civil Code and the rules and regulations applicable to Issuers with listed shares, as well as the provisions of the Corporate Governance Code.

The Annual Report on Corporate Governance and Ownership Structure was approved by the Board of Directors at its meeting on March 11, 2024. It fully illustrates all the provisions of Article 123-*bis* of the Consolidated Law on Finance, as well as the recommendations issued by the Chair of the Corporate Governance Committee, most recently published on December 14, 2023 and brought to the attention of both the Board of Statutory Auditors and the Board of Directors, to the extent of their responsibilities.

The Board of Statutory Auditors also monitored compliance with the provisions of the law and the Articles of Association, as well as any other relevant regulatory provisions, also through its participation in the Board of Directors' meetings and in the Internal Board Committees.

The Shareholders' Meeting of April 28, 2023 also appointed the current Board of Directors, which is composed of a total of 12 members, 10 of whom are Independent pursuant to the Consolidated Law on Finance, and 8 of whom are also Independent pursuant to the Corporate Governance Code. On October 11, 2023, the current Chair Roberto Tasca succeeded Mr. Marco Emilio Angelo Patuano, who resigned from office on July 28, 2023. The Chief Executive Officer also has the title of General Manager.

The Board of Statutory Auditors verified the correct application of the criteria and the assessment procedure adopted by the Board of Directors to evaluate the independence requirements of its members. The Control Body also verified that the Board had carried out its annual self-assessment process, with positive results, both in terms of its qualitative and quantitative composition and its functioning. The board review process was also carried out with the help of an external advisor and the results are also included in the Report on Corporate Governance and Ownership Structure. Following the appointment of the Board, the Internal Board Committees were also set up, namely: the Control and Risk Committee, the Remuneration and Appointments Committee, the ESG and Territory Relations Committee and the Related Parties Committee.

The Board of Statutory Auditors also met with the Supervisory Board, which held a total of 13 meetings in the year 2023, receiving the information referred to in Legislative Decree no. 231/2001 and also taking note of the specific information reported in the Half-Yearly Reports by the same Board.

In this regard, it should be noted that the Board of Directors adopted the MOG, which was last updated in its general part by the Board resolution of November 14, 2023 following the entry into force of Legislative Decree no. 24/2023, which, *inter alia*, revised the whistleblowing reporting system currently in force. The Board of Statutory Auditors also noted that A2A has adopted the Code of Ethics (last updated in May 2018) and the Anti-Corruption Policy (last updated in July 2019) on a voluntary basis. Both documents are published on the Company's website.

During the course of the year, the Board of Statutory Auditors also maintained a continuous exchange of information flows with the control bodies of the Group companies of greater economic size and strategic importance.

Overall, from the audits completed to date and the information flows also received from management, the organisational structure and the internal procedures adopted appear to be compliant. Therefore, no violations of the Law, the Articles of Association or regulations are to be reported.

The Board of Statutory Auditors also points out that there have been no reports pursuant to Articles 25-*octies* and 25-*novies* of Legislative Decree no. 14 of January 12, 2019.

During the year, the Company did not receive any requests for information from Consob pursuant to the Consolidated Law on Finance.

2. Observations on compliance with the principles of proper administration.

During 2023, the Board of Statutory Auditors attended all the meetings of the Board of Directors, for a total of 21 meetings (of which 16 since April 28, 2023, the date of appointment of the Board of Statutory Auditors currently in office), during which it was informed about the activities carried out and the most significant operations carried out by the Company and its subsidiaries. In this context, the Board of Statutory Auditors received from the Chair and CEO the information regarding the exercise of the respective proxies.

Furthermore, the Board of Statutory Auditors held 21 meetings during the year 2023 (of which 15 since April 28, 2023, the date of appointment of the Board of Statutory Auditors currently in office), during which exchanges of information also took place with the Independent Auditors, for the aspects falling within their remit, with the Financial Reporting Manager, with the Internal Audit and with the owners of the Risk, Compliance, Legal and Human Resource functions, as well as with the Managers of the operating BUs, in order to verify and ascertain the correctness of the transactions resolved or deliberated upon, in the absence of elements of imprudence or that could compromise the Company's assets.

The Board of Statutory Auditors has obtained from the Chief Executive Officer, with the frequency required by the regulations and on the occasion of Board meetings, the due information on the activities carried out and on the most significant economic, financial and equity transactions resolved and implemented during the year, carried out by the Company as well as, pursuant to Article 150, paragraph 1 of the Consolidated Law on Finance, on those implemented by subsidiaries, as adequately represented in the Report on Operations to which reference is made, as well as on the general performance and its foreseeable evolution, in this regard the Board of Statutory Auditors has no issues to report.

The Board of Statutory Auditors also attended 13 meetings of the Control and Risk Committee (of which 7 since April 28, 2023, date of appointment of the Board of Statutory Auditors currently in office), 14 meetings of the Remuneration and Appointments Committee (of which 11 since April 28, 2023, date of appointment of the Board of Statutory Auditors currently in office), 16 meetings of the Related Parties Committee (of which 11 since April 28, 2023, the date of appointment of the Board of Statutory Auditors currently in office), 7 meetings of the ESG and Territory Relations Committee (of which 4 since April 28, 2023, the date of appointment of the Board of Statutory Auditors currently in office), acquiring knowledge of the work carried out by them during the financial year.

The Control Body also attended the Shareholders' Meetings of April 28, 2023 (in its previous composition) and November 29, 2023 (in its current composition).

During 2024 to date, the Board of Statutory Auditors has attended 6 meetings of the Board of Directors, 4 meetings of the Control and Risk Committee, 3 meetings of the Remuneration and Appointments Committee, 3 meetings of the Related Parties Committee, 3 meetings of the ESG and Territory Relations Committee and held 6 meetings of the Board of Statutory Auditors.

The Board of Statutory Auditors has acquired adequate information necessary and functional for the performance of its control and supervisory duties, including the most important financial and asset-related information. In light of this information, it has no observations to make with regard to compliance with the principles of proper administration.

3. Most significant transactions with regard to the Company's financial position, results of operations and cash flows.

The most significant economic, financial and equity transactions and events that took place in 2023 were as follows:

- issuance, on January 27, 2023, of a new 500 million euro Green Bond with a term of 11 years, intended for institutional investors and issued under the Euro Medium Term Notes Programme. The bond was placed with the aim of financing projects in the area of energy transition and circular economy eligible for the European Taxonomy;

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- authorisation to issue, by April 30, 2026, one or more non-subordinated, unsecured and non-convertible bonds up to an overall maximum amount of 1.65 billion euro, under the Euro Medium Term Notes Programme established in 2012 – the overall maximum amount of which was increased from 6 billion euro to 7 billion euro when the Programme was renewed;
- approval by the Shareholders' Meeting of April 28, 2023 of the financial statements and the proposal formulated by the Board of Directors to distribute a dividend per ordinary share of 0.0904 euro. The same Shareholders' Meeting also resolved on the renewal of corporate offices;
- awarding, through the subsidiary A2A Energia S.p.A., of 6 lots in the CONSIP Edition 21 tender for the supply of electricity to public bodies;
- start of a collaboration between A2A and Juwi in the photovoltaic sector in August, which precedes the acquisition by the subsidiary A2A Rinnovabili S.p.A. of two companies that have obtained authorisations for the construction and operation of two 17.5 MWp photovoltaic plants in the Veneto region;
- start-up of the new Alfa Heat Recovery plant of Alfa Acciai, with which A2A has been collaborating for some time, with significant growth in the heat sold to Brescia's district heating network by the San Polo steelworks.

Details of all transactions having a significant impact on the Company's profitability, assets and liabilities or financial position are provided in the "Significant events during the year" section of the Report on Operations.

Significant events after December 31, 2023 include:

- the tacit renewal of the Pact between A2A and the Public Entities concerning Acinque S.p.A.;
- the agreement signed with Enel S.p.A. to reorganise electricity grids in Lombardy;

- the approval of the new Strategic Plan 2024-2035, which relaunches and extends the Group's long-term industrial growth objectives.

The Board of Statutory Auditors received from the Directors and management, with due periodicity, information on the activities carried out and transactions of major economic, financial and equity importance carried out by the Company and its subsidiaries. In addition to what is presented in this Report, please refer to the Report on Operations and the Consolidated Notes to the Financial Statements for a full description of the most significant transactions.

With respect to the aforementioned transactions, the Board of Statutory Auditors acquired adequate information that allowed it to reasonably believe that the aforementioned transactions complied with the law, the Articles of Association and the principles of proper administration. The management decisions were not imprudent, risky or in conflict with the resolutions passed by the Shareholders' Meeting or in any case such as to compromise the integrity of the Company's assets. There were no atypical and/or unusual transactions, nor were there any conflicts of interest.

Transactions with related parties have been subject to the transparency procedures provided for by current legislation and which we will detail in the following section.

The Directors have also set out in the Report on Operations information on significant events occurring after the end of the financial year and on the outlook for operations.

4. Atypical and/or unusual transactions, carried out with third parties, intragroup or with related parties.

The Board of Statutory Auditors has not found or received any indications from the Board of Directors, the Independent Auditors or the Head of Internal Audit regarding the existence of atypical and/or unusual transactions, as defined by Consob communication DEM/6064293 of July 28, 2006, carried out with third parties, related parties or intragroup.

In the Notes to the Financial Statements, the Directors reported on ordinary transactions carried out during the year with Group companies and related parties, to which reference should be made, also with regard to the characteristics of the transactions and their economic effects.

Their examination did not reveal any critical issues with regard to their suitability, congruity or correspondence to the interests of the Company.

The Board of Statutory Auditors verified the actual implementation and functioning of the Procedure for Transactions with Related Parties adopted by the Company, including periodic information from the Board of Directors in the event of such transactions being carried out.

5. Supervisory activities on the Statutory Audit.

On March 27, 2024, the Independent Auditors EY S.p.A. issued their Report pursuant to Article 14 of Legislative Decree no. 39 of January 27, 2010, and Article 10 of Regulation (EU) no. 537 of April 16, 2014, in which the Independent Auditors certify that in their opinion:

- the annual and consolidated financial statements of A2A S.p.A. provide a true and fair view of the financial position and results of operations of the Company and the A2A Group at December 31, 2023, of the economic results and cash flows for the year ended on said date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree no. 38 of February 28, 2005;
- the Report on Operations and some specific information contained in the Report on Corporate Governance and Ownership Structure indicated in Article 123-*bis*, paragraph 4 of Legislative Decree no. 58 of February 24, 1998 are consistent with the annual and consolidated financial statements of the Company and the A2A Group at December 31, 2023 and have been prepared in accordance with the law;
- the annual financial statements as at December 31, 2023 have been prepared in XHTML format in accordance with the provisions of Delegated Regulation (EU) 2019/815;
- the consolidated financial statements as at December 31, 2023 have been prepared in XHTML format and have been marked in all significant aspects in accordance with the provisions of

Delegated Regulation (EU) 2019/815. The same Independent Auditors have specified that certain information contained in the Notes to the Consolidated Financial Statements, when extracted from the XHTML format in an XBRL instance, may not be reproduced identically to the corresponding information displayed in the Consolidated Financial Statements in XHTML format due to certain technical limitations;

- there is nothing to report with reference to the statement referred to in Article 14, paragraph 2, letter e) of Legislative Decree no. 39 of January 27, 2010, issued on the basis of the knowledge and understanding of the Company and the relative context acquired during the audit.

On March 27, 2024, the Independent Auditors EY S.p.A. also issued their Additional Report pursuant to Article 11 of Regulation (EU) no. 537/2014, which, among other things, confirms that, during the audit of the Company's annual financial statements and the Group's consolidated financial statements for the year ended December 31, 2023, no significant deficiencies were identified in the internal control system for financial information and/or in the accounting system.

The Independent Auditor's Reports highlight the key aspects of the audit, to which reference should be made.

The Independent Auditors EY S.p.A., also on March 27, 2024, issued the certification of compliance, in all significant aspects, of the drafting of the Consolidated Non-Financial Statement prepared by the Company pursuant to Articles 3 and 4 of Legislative Decree no. 254/2016 and the GRI Standards.

The same Independent Auditors specified that the aforementioned certification does not extend to the information contained in the "*European Taxonomy*" paragraph thereof, which is required by Article 8 of European Regulation 2020/852.

6. Complaints pursuant to Article 2408 of the Italian Civil Code and filing of petitions. Initiatives undertaken by the Board of Statutory Auditors and related outcomes.

During the financial year 2023, two complaints were received pursuant to Article 2408 of the

Italian Civil Code from a shareholder who holds one share.

The first complaint, concerning an alleged failure to answer pre-meeting questions, was submitted by e-mail dated April 25, 2023 and addressed to the Board of Statutory Auditors whose term of office was expiring. The Board of Statutory Auditors in office, appointed on April 28, 2023, continued and completed the investigations already started by the outgoing Board of Statutory Auditors on the issue raised by the aforementioned complaint and considered, on the basis of the information gathered, that its allegations could be ruled out.

The second complaint, concerning an alleged overvaluation of A2A assets in the A2A/AEB transaction, was submitted by e-mail of July 7, 2023. In this case, too, the Board of Statutory Auditors, on the basis of the information gathered, considered that the allegations could be ruled out.

It should be recalled that the Company has adopted a whistleblowing procedure that provides for the establishment of suitable information channels to ensure the reception, analysis and processing of reports, related internal control issues, corporate information, administrative liability of the Company, fraud or other matters, sent by employees, members of corporate bodies or third parties, including in confidential or anonymous form.

7. Appointment of the Independent Auditors and related costs.

The annual financial statements of A2A S.p.A. and its subsidiaries have been subject to a full audit by EY S.p.A. on the basis of the appointment conferred by the Shareholders' Meeting for financial years 2016 to 2024.

The following table provides a summary of the fees paid for audit work performed within the Group during 2023:

Description thousands of euro	Leading Auditor	Other auditors
A2A S.p.A.		
Audit of annual financial statements	197	
Audit of consolidated financial statements	45	
Periodic tests of accounting	24	
Review of half-yearly report	89	
Audit of the separate annual accounts for ARERA	21	
Total	**376**	-
Subsidiaries		
Audit of annual financial statements	1,435	-
Periodic tests of accounting	280	
Review of half-yearly report	231	
Audit of the separate annual accounts for ARERA	106	
Other consolidated groups (Acinque, AEB)	435	
Total	**2,487**	-
Associates and joint ventures		
Audit of the information sent to shareholders for the consolidation	52	
Total	**52**	-
Total A2A Group	**2,915**	-

The Board of Statutory Auditors has been informed by the Company that the following additional fees paid to companies or professional firms connected to the international network of EY S.p.A. in relation to the assignments specified below have been recorded (amounts in euro):

Company	Subject of the assignment	Amount
A2A	Comfort letter bond issue	25,000
Retragas	Revenue certification year 2022 for ARERA	1,000
A2A	Comfort letter EMTN program	46,537
A2A	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	7,000
A2A	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	7,000

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A2A Rinnovabili	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	3,000
A2A Rinnovabili	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	3,000
Linea Green	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	3,000
Linea Green	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	3,000
DES ENERGIA 13	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000
DES ENERGIA 13	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
INTHE2	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000
INTHE2	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
RENEWA21	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000
RENEWA21	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
RENEWA22	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000
RENEWA22	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
RENEWA23	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000
RENEWA23	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
RENEWA24	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000

RENEWA24	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
RENEWA25	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2022)	1,000
RENEWA25	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel (certification for the year 2023)	1,000
Sistemes Energetics Conesa	AUP Spanish entities	1,763
La Castilleja	AUP Spanish entities	1,763
A2A	Certification of Tax Credits for R&D Activities (year 2022)	23,000
Unareti	Certification of Tax Credits for R&D Activities (year 2022)	25,000
A2A Ambiente	Certification of Tax Credits for R&D Activities (year 2022)	16,000
A2A Calore e Servizi	Certification of Tax Credits for R&D Activities (year 2022)	14,000
A2A Ciclo Idrico	Certification of Tax Credits for R&D Activities (year 2022)	7,000
Yada Energia	Certification of Tax Credits for R&D Activities (year 2022)	8,000
A2A Smart City	Certification of Tax Credits for R&D Activities (year 2022)	7,000
A2A Gencogas	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel	1,000
A2A Energiefuture	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel	1,000
Cerveteri Energia	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel	1,000
De Stern 12	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel	1,000
Daunia Calvello	Certification of the Average Sale Price, ARERA Resolution 266/2022/R/eel	1,000
TOTAL		**221,063**

The above-mentioned assignments fall under the procedure “Management of relations with Independent Auditors”, i.e. they have always been approved in advance by the Board of Statutory Auditors.

The Board of Statutory Auditors received, in accordance with the provisions of Article 6, paragraph 2, letter a) of Regulation (EU) no. 537/2014, from EY S.p.A., certification of the statement relating to the independence of EY S.p.A., pursuant to Article 6 of Regulation (EU) no. 537/2014, contained in the Additional Report, from which no situations emerge that could compromise its independence.

8. Main audits and opinions issued by the Board of Statutory Auditors in accordance with current legislation.

In 2023, the Board of Statutory Auditors, in particular:

- examined and positively assessed the approval of the 2023 Audit Plan prepared by the Head of the Internal Audit function and approved by the Board of Directors;
- expressed its favourable opinion on the confirmation of the Financial Reporting Manager pursuant to Article 154-*bis* of Legislative Decree no. 58/98, Mr. Luca Moroni, on May 2, 2023;
- issued a favourable opinion, pursuant to Article 19, first paragraph, letter e) of Legislative Decree no. 39 of January 27, 2010 and Article 5 of European Community Regulation no. 537 of April 16, 2014, in relation to the assignment of “non audit services” to the Independent Auditors;
- expressed a favourable opinion on the co-option of Mr. Mario Motta as Director pursuant to Article 18 of the Articles of Association in force and Article 2386 of the Italian Civil Code.

Furthermore, it verified:

- that each member of the Board of Statutory Auditors meets the requirements of independence, integrity and professionalism;
- the correct application by the Board of Directors of the criteria and procedures for assessing the independence of its members pursuant to the new Corporate Governance Code.

Subsequent to the end of the year and up to the date of this Report, the Board of Statutory Auditors also examined and positively evaluated the approval of the 2024 Audit Plan prepared by the Head of the Internal Audit function and approved by the Board of Directors.

9. Observations on the adequacy of the organizational structure.

The Board of Statutory Auditors constantly gathered information, through discussions with management, with respect to the organizational structure of the Company and its changes.

In light of what has been verified, the Board of Statutory Auditors believes that the organizational structure of the Company, the procedures, expertise and responsibilities are adequate in relation to the size of the Company and the type of activity performed.

The Board of Statutory Auditors also verified the adequacy of the organizational structure of subsidiaries with strategic importance of A2A S.p.A., with particular reference to the internal control and risk management system, pointing out areas for improvement where necessary, but not finding any exceptions at present.

10. Adequacy of the Internal Control and Risk Management System.

The Board of Statutory Auditors monitored the adequacy of the Internal Control and Risk Management System of A2A S.p.A. and its strategically important subsidiaries, by means of:

a) regular collection of information, including at meetings of the Control and Risk Committee, as well as by means of meetings with the Financial Reporting Manager, the Head of the Internal Audit function, the Head of the Group Compliance function, the Group Risk Officer and the Heads of other functions concerned from time to time, on the activities carried out, the mapping of risks relating to ongoing activities, the verification programs and the projects for implementing the internal control system, with the acquisition of the related documentation;
b) the regular participation, in addition to the meetings of the Board of Directors, in the work of the Internal Board Committees;
c) examination of the periodic Reports of the Control and Risk Committee;

d) examination of the Reports of the Head of the Internal Audit function, concerning the checks in the various Company areas, both at peripheral and corporate level, on the functioning of the Group's Internal Control and Risk Management System and the monitoring of the implementation of the corrective actions identified as a result of the audit activity. The Board of Statutory Auditors constantly reviewed the audit reports, thus assessing the process of their formation, compliance with the audit plans defined for the monitoring and containment of risks in line with the strategic objectives of containment and efficiency, as well as the conclusions of the Head of the Internal Audit function with respect to the suitability of the internal control and risk management system of the Company and its subsidiaries of strategic importance, with respect to the characteristics of the business and the risk profile.

The Board of Statutory Auditors also verified that the Company has an Organizational, Management and Control Model consistent with the principles contained in Legislative Decree no. 231/01 and last updated by the Board of Directors on November 14, 2023, in order to comply with Legislative Decree no. 24/2023 and the revised internal whistleblowing system.

In addition to Model 231, a number of procedures were implemented, in particular, by way of example, the procedure for the disbursement of contributions, subsidies and public financing, credit policy, extraordinary finance, relations with the Independent Auditors and the procedure on litigation.

The Board of Statutory Auditors examined the periodic Reports (at June 30, 2023 and December 31, 2023) of the Supervisory Board provided for by Legislative Decree no. 231/2001, which summarize the activities carried out during the year.

The Board of Statutory Auditors also met with representatives from the Boards of Statutory Auditors of A2A's subsidiaries, namely: A2A Energiefuture S.p.A., A2A Gencogas S.p.A., A2A Rinnovabili S.p.A., A2A Energia S.p.A., Aprica S.p.A., Agripower S.p.A., A2A Ambiente S.p.A., Amsa S.p.A., A2A Calore & Servizi S.r.l., Unareti S.p.A. and A2A Ciclo Idrico S.p.A. for the purposes of exchanging information on, *inter alia*, compliance with the directives issued by the Parent Company, the characteristics of the internal control system, risk management, the governance system and the operations of the same.

With regard to the above-mentioned activities, the Board of Statutory Auditors:

a) has not identified any critical situations or facts in relation to the financial year 2023 that could lead to the conclusion that the Company's Internal Control and Delegation System with respect to its subsidiaries is inadequate, pursuant to Article 114, paragraph 2 of the Consolidated Law on Finance, in order to comply with the disclosure obligations provided for by law;
b) having regard to the information provided by the Chair of the Supervisory Board and the above-mentioned Reports, the Board of Statutory Auditors has noted that no reprehensible facts or violations of the Model emerged during financial year 2023;
c) noted the positive assessment expressed by the Enterprise Risk Management and Internal Audit functions and the consequent approvals also by the Board of Directors in relation to the adequacy and effective functioning of the Internal Control and Risk Management System for the financial year 2023.

The Board of Statutory Auditors constantly monitored the events during the financial year regarding ongoing tax, administrative, civil and criminal litigation involving the Company and the Group, for which reference is made to what is detailed in the 2023 Consolidated Annual Report, Section 3) "Other Information", paragraph 8) "Update on the main legal and tax disputes currently pending".

11. Adequacy of the administrative-accounting system and its reliability.

The Board of Statutory Auditors, to the extent of its competence, monitored the adequacy of the administrative-accounting system and its reliability in correctly representing operating events as well as the activities carried out, under the coordination of the Financial Reporting Manager, for the purposes of compliance with Law 262/05 *"Provisions for the protection of savings and the regulation of financial markets*" and subsequent amendments and additions, by means of:

a) the acquisition of information from the Financial Reporting Manager as well as from the Heads of other Company functions, also in the context of participation in the work of the Control and Risk Committee;
b) the acquisition of information on the procedures adopted and instructions issued by A2A S.p.A. for the preparation of the Annual Report of the Group at December 31, 2023 and the Half-Year Report of the Group at June 30, 2023;
c) examination of the periodic Reports of the Financial Reporting Manager, as well as the Reports of the Internal Audit function on the actual application of the administrative and accounting procedures pursuant to Law 262/05 and on the outcome of the related tests carried out, drawn up in execution of the mandate entrusted by the Financial Reporting Manager;
d) meetings with the Independent Auditors and analysis of the results of their work;
e) examination of Company documents.

The Board of Statutory Auditors also noted that, following the favourable opinion issued by the Control and Risk Committee, in accordance with the recommendations made by the European Securities and Markets Authority ("ESMA") on January 21, 2013, the joint document Bank of Italy/Consob/ISVAP no. 4 of March 3, 2010 and Consob Communication no. 3907 of January 19, 2015, on March 11, 2024, the Board of Directors, autonomously and prior to the approval of the annual financial statements, approved the impairment test procedures applied by the Company in preparing the financial statements at December 31, 2023 and the impairment test procedures to be applied to the annual financial statements of the companies of the A2A Group.

In the course of carrying out the activity described above, the Board of Statutory Auditors did not identify any critical situations or facts that might lead to the conclusion, in relation to financial year 2023, that the administrative-accounting system of A2A S.p.A. is inadequate and/or unreliable.

12. Any relevant aspects relating to meetings with Auditors.

The Board of Statutory Auditors met with the Independent Auditors in relation to the Annual

Report at December 31, 2023:

a) to exchange information on the verifications carried out by the latter pursuant to Legislative Decree no. 39/2010 and Article 150, paragraph 3 of the Consolidated Law on Finance, on the regular accounting and correct reporting of events in the accounting records. During these meetings, there were no reports of problems or abnormalities;
b) for the examination and evaluation of the preparation process, including the evaluation of the correct application of accounting standards and homogeneity of the same, of the Half-Year Report of the Group at June 30, 2023 and the Annual Report of the Group at December 31, 2023, as well as the outcomes of the audit and evaluation of these documents.

In particular, the Board of Statutory Auditors:

- analyzed the work carried out by the Independent Auditors, and in particular, the methodological framework, the audit approach used for the various significant areas of the financial statements and the planning of the audit work;
- shared with the Independent Auditors issues related to business risks, thus being able to appreciate the adequacy of the response planned by the Independent Auditors with the structural and risk profiles of the Company and the Group.

The Board of Statutory Auditors has also:

a) received, pursuant to Article 11 of Regulation (EU) no. 537/2014, the Additional Report of the Independent Auditors, also illustrating the key issues arising from the statutory audit and any significant deficiencies found in the internal control system for financial reporting and/or in the accounting system, from which no significant deficiencies were identified;
b) took note of the statement on the independence of EY S.p.A. pursuant to Article 6 of Regulation (EU) no. 537/2014, contained in the Additional Report, from which no situations emerge that could compromise its independence;
c) discussed, pursuant to Article 6, paragraph 2, letter b) of Regulation (EU) no. 537/2014, with the Independent Auditors the risks relating to the independence of the same and the measures adopted by the Independent Auditors to mitigate said risks.

13. Adherence to the Corporate Governance Code of listed companies.

The Company adheres to the 2020 edition of the Corporate Governance Code of listed companies effective January 1, 2021.

The Board of Statutory Auditors therefore supervised, pursuant to Article 149, paragraph 1, letter c-*bis*) of the Consolidated Law on Finance, the procedures for the concrete implementation of the rules of corporate governance provided for by the Corporate Governance Code, with particular regard to:

- the correct application of the ascertainment criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the manner in which the self-assessment activities of the Board of Directors and its Internal Board Committees were carried out, including that relating to the requirements for Independent Directors;
- the Company's Corporate Governance structure.

The Board of Statutory Auditors also acknowledges that the Board of Directors, at its meeting of February 20, 2024, examined the recommendations of the Corporate Governance Committee contained in the letter of December 14, 2023 addressed by the Chair of the Committee to the Chairs of the Boards of Directors of Italian listed companies and, for information, to the relative Chief Executive Officers and Chairs of the control bodies, in order to make the necessary decisions in this regard.

The Board of Statutory Auditors supervised the activities carried out by the Control and Risk Committee, the Remuneration and Appointments Committee, the ESG and Territory Relations Committee and the Related Parties Committee, also in relation to the activities envisaged by the Corporate Governance Code.

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In addition to the above, the Board of Statutory Auditors:

- assessed the compliance of its composition with the provisions of the law on gender portions, as well as its adequacy in terms of policies on diversity of age and diversity of educational and professional experience;

- confirmed the correctness and effectiveness of its functioning, also taking into account the requirements of professionalism, competence and experience of its members, compliance with the regulatory provisions on the accumulation of offices of the Statutory Auditors, the availability of time in the performance of their duties, as well as the functionality and quality of information flows with the Board of Directors, the Control and Risk Committee, the Independent Auditors and other control functions;
- successfully carried out the periodic verification regarding compliance with the criteria of independence with regard to each of its members, pursuant to the regulatory provisions and the Corporate Governance Code. The outcome of said audits is outlined in the Annual Report on Corporate Governance and Ownership Structure prepared for the year 2023;
- drafted the summary sheets of the control activities carried out by the Board of Statutory Auditors in 2023 according to as provided in CONSOB Communication no. 1025564 of April 6, 2001.

14. Consolidated Non-Financial Statement.

The Board of Statutory Auditors, within the scope of the performance of the functions assigned to it, supervised the compliance with the provisions contained in Legislative Decree no. 254/2016 and in the "Regulation on the disclosure of non-financial information" adopted by Consob with Resolution no. 20267 of January 18, 2018, in particular with reference to both the drafting process and the contents of the Consolidated Non-Financial Statement (hereinafter also "CNFS"), prepared by A2A. The CNFS for the financial year 2023 was approved by the Board of Directors at its meeting on March 11, 2024 and made available to the Control Body within the statutory time limits.

In this regard, having examined the certification issued by the Independent Auditors pursuant to Articles 3 and 4 of Legislative Decree no. 254/2016, as well as Article 5 of the Consob Regulation adopted by Resolution no. 20267 of January 18, 2018, the Board of Statutory Auditors did not find any elements of non-compliance and/or violation of the relevant regulations.

The Board of Statutory Auditors finds that the Company, in its capacity as Parent Company, has prepared the Consolidated Non-Financial Statement in accordance with the requirements of Articles 3 and 4 of Legislative Decree no. 254/2016 and the "Global Reporting Initiative Sustainability Reporting Standards" ("GRI Standards") defined by the GRI – Global Reporting Initiative, identified as reporting standards by the Directors.

The Board of Statutory Auditors monitored compliance with the provisions set forth in Legislative Decree no. 254 of 2016, ascertaining that the CNFS allows for an understanding of the Group's activities, its performance, results and impacts produced, and that the CNFS reports on environmental, social, personnel-related, human rights and governance issues.

The Board of Statutory Auditors discussed with the Independent Auditors the auditing activities it had performed on the CNFS and received confirmation that these did not reveal any critical issues to be reported.

The Board of Statutory Auditors has also verified the approval by the Board of Directors on March 11, 2024 of the aforementioned CNFS and the issuance on March 27, 2024, by the Independent Auditors, of the special Report on the Group's CNFS relating to the year ended December 31, 2023, which certifies the compliance of its drafting, in all significant aspects, with Articles 3 and 4 of Legislative Decree no. 254/2016 and the GRI Standards, with the exclusion of the information contained in the "*European Taxonomy*" paragraph thereof, required by Article 8 of European Regulation 2020/852.

CONCLUSIONS

Having regard to the foregoing, and having, in the year under consideration:

- monitored compliance with the law and the Articles of Association, principles of proper administration, and in particular the adequacy of the administrative and accounting organization structure adopted by the Company and proper functioning thereof;

- monitored observance of information obligations regarding privileged information;
- monitored the functioning and effectiveness of the internal control and risk management system and the administrative-accounting system, in order to assess their suitability to Company requirements, as well as their reliability for the representation of management events;
- monitored compliance with the provisions of law relating to the process of preparing, controlling, approving and publishing the Company's Statutory Financial Statements and the process of preparing, controlling and publishing the Group's Consolidated Financial Statements and Reports on Operations for the financial year 2023, including through direct checks and information obtained from the Independent Auditors, and also ascertained the adequacy, from the point of view of the method, of the impairment test process;
- verified that, in accordance with Regulation (EC) no. 1606/2002 and Legislative Decree no. 38/2005, the Financial Statements of A2A S.p.A. and the Consolidated Financial Statements of the Group at December 31, 2023 are prepared in accordance with IAS/IFRS international accounting standards approved by the European Commission, supplemented by the related interpretations issued by the International Accounting Standards Board (IASB);
- monitored compliance with the procedure for the preparation and presentation of the annual financial statements to the Shareholders' Meeting also with reference to the ESEF format in accordance with the provisions of Delegated Regulation (EU) 2019/85;
- monitored, pursuant to Article 19, paragraph 1 of Legislative Decree no. 39/2010, the financial reporting process and effectiveness of internal control, internal audit and risk management systems and informed the Board of Directors on the outcome of the statutory audit;
- monitored compliance with the provisions established by Legislative Decree no. 254/2016 and Consob Regulation no. 20267/2018, regarding the Consolidated Non-Financial Statement;

providing the foregoing, the Board of Statutory Auditors states that, during the supervision activities described above, no reprehensible facts, omissions, or irregularities arose.

In view of the above, the Board of Statutory Auditors kindly requests that you approve the financial statements at December 31, 2023 presented by the Board of Directors along with the Report on Operations and the proposal to the Shareholders' Meeting therein.

***

Milan, March 27, 2024

THE BOARD OF STATUTORY AUDITORS

(Signed Silvia Muzi)	–	Chair
(Signed Maurizio Dallocchio)	–	Statutory Auditor
(Signed Chiara Segala)	–	Statutory Auditor