ALIA SERVIZI AMBIENTALI SpA

SEPARATE FINANCIAL STATEMENTS
2023

1. CORPORATE OFFICES

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

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

Financial Reporting Manager
Demetrio Mauro

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

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

2. CALL NOTICE FOR THE ORDINARY SHAREHOLDERS' MEETING

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

Agenda:

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

Related and consequent resolutions.

The Chairman of the Board of Directors
Lorenzo Perra

3. SEPARATE FINANCIAL STATEMENTS SCHEDULES

3.1 Income Statement

INCOME STATEMENT	NOTES	2023	2022
Revenue	7.1	381,933,001	377,767,153
Construction revenues Concession Rights	7.1	97,497,225	84,942,039
Other Operating Revenue	7.2	17,966,855	5,546,360
Other Income	7.3	1,740,199	2,086,235
Consumption of Raw Materials and Consumables	7.4	18,549,450	18,840,316
Costs for Services	7.4	225,231,660	200,508,990
Personnel Costs	7.4	117,044,842	110,451,110
Other Operating Expenses	7.4	4,424,173	3,438,671
Construction Costs, Concession Rights	7.5	93,510,781	82,309,225
Income from Non-Financial Equity Investment	7.6	10,828,320	929,131
Gross operating margin (EBITDA)		**51,204,693**	**55,722,606**
Amortisation, Depreciation, Provisioning and Writedowns	7.7	28,412,579	23,186,945
Writedowns (writebacks) net of trade and other receivables	7.8	5,037,621	952,304
Operating Profit		**17,754,493**	**31,583,357**
Writedowns (and reinstatements) of financial assets		-	-
Stake in profit (loss) of joint ventures and associated companies	7.9	17,962,356	60,379
Financial income	7.10	3,972,507	2,120,257
Financial expenses	7.11	12,317,092	5,435,387
Financial Management		**9,617,771**	**- 3,254,751**
Profit before income tax		**27,372,264**	**28,328,605**
Taxes	7.12	- 926,868	7,679,068
Net profit for the year		**28,299,132**	**20,649,537**

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

3.2 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	2023	2022
Net profit (loss) for the year	**28,299,132**	**20,649,537**
Components not reclassifiable to the income statement		
Actuarial gains/(losses), employee benefit funds	- 279,624	2,141,892
Fiscal effect relative to other comprehensive income statement not reclassifiable	67,110	- 514,054
Total comprehensive profit (loss) for the year	**28,086,618**	**22,277,375**

3.3 Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	NOTES	2023	2022
Property, Plant and Equipment	8.1	37,431,001	16,383,445
Real Estate Investments	8.3	7,216,542	
Concession Rights	8.4	340,800,804	274,172,281
Rights of Use	8.2	2,071,757	1,660,637
Other Intangible Fixed Assets	8.5	108,626	86,404
Equity Investments in Subsidiaries	8.6	263,930,814	19,524,087
Equity Investments in Associates and Joint Ventures	8.6	530,918,781	181,911,446
Other Equity Investments	8.6	9,902,569	21,835,263
Non-Current Financial Assets	8.7	17,584,087	3,070,479
Non-Current Trade Receivables	8.7	552,091	2,733,178
Non-Current Assets from Contracts with Customers	8.8	25,450,943	19,120,747
Deferred Tax Assets	8.9	12,166,703	4,716,353
Other Non-Current Assets	8.10	1,865,323	1,401,354
Total Non-Current Assets		**1,250,000,041**	**546,615,675**
Inventories	8.11	2,726,179	2,688,878
Trade receivables	8.12	130,414,372	116,081,427
Current Assets from Contracts with Customers		19,120,747	16,158,685
Current Financial Assets	8.13	5,882,775	0
Current tax assets	8.14	2,160,246	435,323
Other current assets	8.15	21,868,588	6,089,321
Cash and cash equivalents	8.16	30,781,409	17,645,618
Total Current Assets		**212,954,317**	**159,099,251**
TOTAL ASSETS		**1,462,954,359**	**705,714,926**
Share capital	8.17	360,556,971	153,413,910
Reserves	8.18	480,657,497	185,618,224
IFRS first time adoption reserve	8.18	7,896,006	7,896,006
Profit (loss) for the year		28,299,132	20,649,537
Total Shareholders' Equity		**877,409,606**	**367,577,677**
Provisions for risks and charges	8.19	43,425,633	36,222,821
Severance indemnity [TFR] and other benefits	8.20	10,852,863	11,900,416
Non-current financial liabilities	8.21	200,594,807	144,288,428
Non-current financial liabilities for rights of use	8.21	1,210,355	1,036,463
Non-current trade payables	8.22	4,233,333	3,400,000
Other non-current liabilities	8.23	3,885,136	4,027,523
Total Non-Current Liabilities		**264,202,127**	**200,875,651**
Current financial liabilities	8.24	39,737,423	13,187,742
Current financial liabilities for rights of use	8.24	643,986	569,247
Trade payables	8.25	133,099,296	104,819,952
Current tax liabilities	8.26	0	2,067,447
Other current liabilities	8.26	147,861,920	16,617,211
Total Current Liabilities		**321,342,625**	**137,261,599**
TOTAL LIABILITIES		**585,544,752**	**338,137,250**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,462,954,358**	**705,714,927**

3.4 Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2023	31/12/2022
INITIAL NET CASH AND CASH EQUIVALENTS	**8.16**	**17,645,618**	**33,730,665**
Profit (loss) for the year (A)		**28,299,132**	**20,649,538**
Depreciation of tangible assets	7.7	1,319,587	256,246
Amortisation of intangible assets	7.7	28,116,713	21,411,948
Allocation to provision for writedowns	7.8	5,037,621	952,304
Allocation to provision for risks	7.7	8,213,749	6,208,980
Non-monetary adjustments relative to changes in equity investments (including effect of measurement at equity)		(28,790,677)	(989,510)
Economic effect of deferred tax assets and liabilities	7.12	(2,354,196)	4,418,167
Allocation for current taxes	7.12	1,427,328	3,260,901
(Capital gains)/Capital losses from disposals/(contributions)	7.4	750,336	(236,084)
Financial (income)/expense	7.11	8,344,585	3,315,130
Allocation, employee severance indemnity [TFR]		-	-
Other adjustments for non-monetary elements		2,284,928	(730,399)
Non-monetary adjustments (B)		**24,349,974**	**37,867,683**
Cash flow from Current Operations (C)=(A)+(B)		**52,649,106**	**58,517,221**
(Increase)/Decrease Inventories	8.11	(37,301)	(209,780)
(Increase)/Decrease Trade receivables	8.12	(15,709,977)	(2,862,974)
(Increase)/Decrease Assets from Contracts with Customers	8.12	(9,292,258)	(35,279,432)
(Increase)/Decrease Current tax assets	8.14	214,800	-
Increase/(Decrease) Current tax liabilities	8.26	(20,095)	-
(Increase)/Decrease Other current assets	8.15	(15,766,899)	1,392,353
Increase/(Decrease) Trade payables	8.25	26,103,185	9,776,573
Increase/(Decrease) Other current liabilities	8.26	1,378,894	959,816
Other changes		(153)	-
Change in Net Working Capital (D)		**(13,129,804)**	**(26,223,444)**
Increase/(Decrease) Non-current assets	8.10	(463,969)	(95,868)
(Increase)/Decrease Non-current liabilities	8.23	(142,387)	(745,001)
Interest received / (paid)	7.11	(7,483,367)	(3,047,755)
Change in deferred tax assets/liabilities	8.9	67,111	-
Use of Provisions for risks/TFR provision	8.19 + 8.20	(10,609,367)	(6,116,432)
Current taxes paid	8.26	(5,085,214)	(2,695,930)

Other operating changes (E)		**(23,717,193)**	**(12,700,986)**
Operating cash flow (G) = (C) + (D) + (E)		**15,802,109**	**19,592,791**
(Invest.) Tangible assets	8.1	(1,184,600)	(991,614)
Disinv. Tangible assets		-	192,488
(Invest.) Intangible assets	8.5	(115,071,576)	(86,047,839)
Disinv. Intangible assets		17,083,115	845,958
(Invest.) Financial fixed assets	8.6	(21,200,309)	(11,059,933)
Disinv. Financial fixed assets		-	-
- dividends received	8.6	18,497,185	1,095,280
Cash acquired as an effect of incorporations		45,111,448	180
Cash flow from investments (H)		**(56,764,736)**	**(95,965,480)**
Available cash flow (I) = (G) + (H)		**(40,962,627)**	**(76,372,689)**
Opening of short and medium/long-term loans	8.21	122,450,000	136,389,223
Repayment of short and medium/long-term loans	8.24	(42,741,005)	(47,112,293)
Increase (decrease) other short-term financial payables	8.24	3,395,696	(28,989,288)
shareholders' equity increases	8.18	61	
shareholders' equity repayments	8.18	(3,709,333)	
payment of dividends	8.18	(25,297,000)	
Cash flow from financial activity (J)		**54,098,419**	**60,287,642**
Net change in cash and cash equivalents (L) = (I) + (J)	**8.16**	**13,135,792**	**(16,085,047)**
FINAL NET CASH AND CASH EQUIVALENTS	**8.16**	**30,781,409**	**17,645,618**

3.5 Statement of Changes in Shareholders' Equity

Description	*Share capital*	*Share Premium Reserve*	*Extraordinary reserve and other profit reserves*	*Other reserves*	*Profit for the year*	*Shareholders' equity*
Balance at 01 January 2022	**94,000,000**	**9,547,445**	**46,683,322**	**7,896,005**	**8,475,423**	**166,602,195**
Change with shareholders:						
Destination of profit (loss) from previous year			**8,475,423**		**- 8,475,423**	**-**
Merger by incorporation			**- 1,097,566**			**- 1,097,566**
Reserve, expense from transfer			**- 336,516**			- **336,516**
Free of charge capital increase	**59,413,910**	**120,718,278**				**180,132,188**
Profit (loss) for the period					**20,649,537**	**20,649,537**
Other comprehensive income statement components			**1,627,838**			**1,627,838**
Comprehensive profit for the year			1,627,838		**20,649,537**	**22,277,375**
Balance at 31 December 2022	**153,413,910**	**130,265,723**	**55,352,501**	**7,896,005**	**20,649,537**	**367,577,676**
Balance at 01 January 2023	**153,413,910**	**130,265,723**	**55,352,501**	**7,896,005**	**20,649,537**	**367,577,676**
Change with shareholders:						
Destination of profit (loss) from previous year			1,032,477		- 20,649,537	**- 19,617,060**
Distribution of reserves			- 8,382,940			**- 8,382,940**
Merger by incorporation of Consiag, Acqua Toscana and Publiservizi	205,905,519	430,068,757	- 126,980,700			**508,993,576**
Capital increase in favour of shareholders AER SPA	1,237,542	2,223,527				**3,461,069**
Purchase of treasury shares			- 2,709,333			**- 2,709,333**
Profit (loss) for the period					28,299,132	**28,299,132**
Other comprehensive income statement components			- 212,514			**- 212,514**
Comprehensive profit for the year			**- 212,514**		**28,299,132**	**28,086,618**
Balance at 31 December 2023	**360,556,971**	**562,558,006**	**- 81,900,509**	**7,896,005**	**28,299,132**	**877,409,605**

4. CORPORATE INFORMATION

4.1 General information

Alia Servizi Ambientali S.p.A. is an Italian company operating in the environmental sector (waste management and processing).

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

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

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

The individual financial statements for the year ended 31 December 2023 were submitted for the approval of the Company's Board of Directors on 11/04/2024.

On 1 March 2018, the assets instrumental to the service owned by the outgoing managers not incorporated into Alia were transferred to the manager Alia, specifically by AER Ambiente, Energia Risorse SpA and COSEA Ambiente SpA. These assets hence "entered" the Manager's equity at the residual carrying amount identified on the date of transfer.

5. BASIS OF PREPARATION AND ACCOUNTING STANDARDS

5.1 Basis of preparation

The annual financial statements of Alia SpA at 31 December 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, integrating the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously known as the Standing Interpretations Committee (Sic), as well as the measures issued in implementation of Italian Legislative Decree 38/2005.

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

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

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

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

5.2 Financial statements schedules

The annual financial statements consist of the following schedules:

- Income statement
- Statement of Comprehensive Income
- Statement of Financial Position
- Cash Flow Statement
- Statement of Changes in Shareholders' Equity

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

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

5.3 Summary of main accounting criteria

1) Current/non-current classification

Assets and liabilities in the Alia SpA financial statements are classified on a current/non-current basis.

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

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

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

2) Fair value measurement

Alia measures financial instruments such as derivatives at fair value at each reporting date. A summary is provided below of the notes relating to the fair value of financial instruments, and the notes referring to fair value:
- Measurement methods, discretionary assessments and significant accounting estimates:
- Quantitative information on the fair value measurement hierarchy:
- Financial instruments (including those measured at amortised cost).

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

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

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

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

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

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

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

3) Equity investments in subsidiaries

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

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

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

- The provisions of the Articles of Association;
- Contract agreements with others holding voting rights;
- Rights deriving from contract agreements;
- Group voting and potential voting rights.

Alia reconsiders whether it has control or not when facts and circumstances indicate that changes have intervened in one or more of the three aspects significant for the purposes of defining control. Classification of equity investments in subsidiaries begins at the time Alia obtains control and ceases when Alia loses control.

4) Equity investments in associates and joint ventures

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

The financial statements for associates and joint ventures are prepared with reference to the same reporting date. Where necessary, the financial statements are adjusted to bring them in line with the accounting standards adopted by Alia.

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

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

5) Revenue from disposal of goods and services

Revenue from integrated waste management
These are revenues deriving from the activities performed under the Service Contract (SC) signed by Alia Servizi Ambientali on 31 August 2017. The subject of the SC is the execution, with the territory of Toscana Centro OTA ("OTA"), of waste collection, transport and sweeping, plant management, management of landfills post closure and the establishment of collection centres and relative accessory activities.
Revenues deriving from the provision of the services described above are recognised when they have been rendered with reference to progress status, considering that Alia SpA provides these services in line with a given period of time.

Revenue for construction services in favour of the Granting Entity
Revenue for construction services refers to the measurement of construction services provided by Alia SpA in favour of the Granting Entity, to carry out investments in relation to the Concession Rights and are recognised on a fair value basis. The fair value of the fee for construction and expansion services for assets under concession rendered by Alia SpA is determined based on the fair value of the fee for construction and expansion services provided by third parties, internal and external design costs and internal costs incurred for works planning and coordination activities carried out by a specific internal unit. The revenue in question is recognised when the services have been rendered with reference to progress status, considering that the Granting Entity simultaneously receives and uses the benefits deriving from the work as it is gradually performed.
Note to that end that Alia SpA recognises as trade receivables its unconditional right to receive the fee relative to works performed (invoices issued and to be issued), while the amount due from customers for services performed is recognised under "assets from contracts with customers", net of any advances received.

Other revenue
Revenue deriving from other services rendered by Alia SpA is recognised when these have been rendered with reference to progress status.
Revenue from the disposal of assets is recognised when control over the asset involved in the transaction has been transferred to the purchaser or when the customer acquires the full ability to decide how to use the asset, as well as to obtain substantially all benefits from the same.

6) Contract assets

Contract assets represent the entity's right to obtain the fee agreed on against the transfer of control of the goods or services to the customer.
If Alia SpA fulfils its obligation by transferring the goods or services to the customer prior to the latter paying the fee or prior to payment being due, the entity must record an asset deriving from a contract, excluding the amounts presented as receivables.

7) Trade receivables

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

8) Costs

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

9) Contract liabilities

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

10) Costs of obtaining a contract

Alia SpA pays commissions to acquire contracts via indirect sales channels. IFRS 15 requires that certain criteria must be met to record the incremental costs to obtain a contract and the costs incurred to execute the contract with the customer, under assets. Any capitalised costs to obtain contracts must be amortised on a straight line basis, based on the transfer of the goods or services by the entity to the customer. Incremental costs to obtain a contract and the costs to fulfil a contract are recorded as assets pursuant to

IFRS 15, and the closing asset balance, amortisation amounts and any losses for impairment during the period are stated separately. Nonetheless, IFRS 15 does not make any stipulation regarding the classification of these assets and the relevant amortisation. In the absence of a standard that deals specifically with the classification and presentation of costs to obtain contracts, Alia SpA has adopted the general IAS 8 standard to select the appropriate accounting treatment. According to this standard, incremental costs to obtain a contract and the costs incurred to fulfil a contract, must be considered separately for recognition in the financial statements.
Alia SpA has chosen a distinctive class of intangible assets in the statement of financial position schedule, and the relevant amortisation in the same item relating to amortisation of intangible assets falling under the scope of IAS 38 - Intangible assets.

11) Dividends

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

12) Public grants

Public grants are recognised at fair value when there is reasonable certainty that the grants will effectively be received, and that all the relevant conditions have been met. Grants relating to cost components are recognised as revenue on a straight line basis over the financial periods, so that they are commensurate to the cost they intend offsetting. The grant related to an asset is recognised as revenue, and stated in equal portions across the reference asset's expected useful life.
When Alia SpA receives a non-monetary grant, the asset and relative contribution are recorded at nominal value, and stated in the income statement at a constant rate across the reference asset's useful life.

Operating grants (provided to offer immediate financial support for the company or to offset expenses and losses incurred in a previous year) are recognised entirely in the income statement at the time the requirements for recognition are met.

13) Financial income

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

14) Financial expenses

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

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

15) Income taxes

a) Current taxes

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

returns, and in cases where tax regulations are subject to interpretation, and where appropriate, makes the necessary provisions.

b) Deferred taxes

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

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

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

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

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

c) Uncertainty on treatments for income tax purposes

In the definition of uncertainty it is considered whether a given tax treatment will be acceptable to the Tax Authority. If it is considered probable that the tax authority will accept the tax treatment (the term probable is understood as "more probable than not"), Alia SpA recognises and measures its current or deferred tax assets and liabilities applying the rules of IAS 12.
Conversely, if there is uncertainty about treatments for income tax purposes, Alia SpA reflects the effect of this uncertainty making use of the method that best provides for resolution of the uncertain tax treatment.
Alia decides whether to take into consideration each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, choosing the approach that best provides for the solution of the uncertainty. In assessing whether and in what way the uncertainty affects the tax treatment, Alia assumes that the Tax Authority will or will not accept an uncertain tax treatment presuming that the same, in the audit stage,will check the amounts that it has the right to examine and that it will be completely cognisant of all the related information. When it concludes that it is not probable that the tax authority will accept an uncertain tax treatment, Alia SpA reflects the effect of this uncertainty in determining the current and deferred taxes, using the method of the expected value or the most probable amount, according to which method better provides for the solution of the uncertainty.
Alia SpA makes significant use of professional judgement in identifying uncertainties about treatments for income tax purposes and re-examines the judgements and estimates made in the presence of a change in

the facts and circumstances that modify its forecasts on the acceptability of a certain tax treatment or the estimates made on the effects of the uncertainty, or both.
As the uncertain tax positions refer to the definition of income taxes, Alia presents uncertain tax assets/liabilities as current or deferred taxes.

16) Indirect taxes

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

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

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

17) Property, plant and equipment

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

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

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

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

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

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

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

DESCRIPTION	DEPRECIATION RATES
Civil and Industrial Buildings	2.50%–3%
Light Constructions	10%–14.29%
Landfill - operating machines and excavators	6.67%
Landfill - other systems	6.67%
Sorting and Composting System - pretreatment	8.33%
Sorting and Compositing System - composting and anaerobic digestion	5.00%
Sorting and Compositing System - biogas and percolate collection and treatment	4.00%
Sorting and Composting System - other systems	6.67%
Other systems	10%–15.50%
Photovoltaic System	10.00%
Equip. Sundry and Small Workshop	14.29%–25%
Other Equip. Sundry and Small	10%–14.29%
Motor Vehicles	12.50%–20%
Transport Vehicles	20.00%–25%
Sundry Equipment, Door to Door Collection	20.00%
Skips	12.50%
Recycling Banks	12.50%
Bins	20.00%
Ordinary Office Furniture, Machines	12%–14.29%
Office Machines, Electromech.	20.00%
Fully Depreciable Assets	100.00%

18) Real estate investments

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

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

After initial recognition, Alia SpA measures real estate investments:

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

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

19) Intangible assets

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

Intangible assets acquired or produced internally are recognised in the assets when it is probable that use of the same will generate future economic benefits and when the cost of the asset can be reliably determined.
Intangible assets refer to assets without identifiable physical substance, controlled by the company and able to produce future economic benefits.
Identifiability is defined with reference to the possibility of distinguishing the intangible asset from goodwill. This requirement is generally met when: (i) the intangible asset is associated with a legal or contractual right, or (ii) the fixed asset can be separated, that is sold, transferred, rented or exchanged independently or as an integral part of other fixed assets.
An entity controls an asset if the entity can use future economic benefits deriving from the fixed asset and has the possibility of restricting access to the same for others.

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

Intangible assets with a defined useful life are recognised net of accumulated amortisation and any impairment losses determined using the same methods previously indicated for property, plant and equipment. Changes in the expected useful life or in the methods in which future economic benefits linked to the intangible fixed assets are achieved by the entity are recognised, adjusting the period or amortisation method and handled as changes in accounting estimates. Amortisation rates for intangible assets with a defined useful life are recognised in the income statement under the cost category relating to the function of the intangible asset.
The amortisation period and method for an intangible asset with a limited life are reviewed at least at the end of each period. Changes in the expected useful life or ways in which future economic benefits associated with the asset will be realised, are recognised by changes to the amortisation period or method, as the case may be, and are considered as accounting estimate changes.
Intangible assets with an indefinite life are not amortised, but are subject to annual impairment testing, both at individual level and at the cash-generating unit level. The assessment of the indefinite life is reviewed annually to determine whether this allocation is sustainable, otherwise the change from the indefinite useful life to limited useful life is applied on a prospective basis.
Gains or losses deriving from the elimination of an intangible asset are measured by the difference between the net revenue from the disposal (at the date when the purchaser gains control) and the carrying amount of the intangible asset, and are recognised in the Income Statement in the period in which the elimination takes place.

Development costs are recognised in the assets only if all the following conditions are met: the costs can reliably be determined and the technical feasibility of the product and expected volumes and prices indicate that the costs incurred in the development stage will generate future economic benefits. Capitalised development costs include only expenses incurred that can be directly attributed to the development process. Capitalised development costs are amortised using a systematic criteria, when production begins and throughout the estimated life of the product. All other development costs are recognised in the income statement when they are incurred.
In the presence of specific impairment indicators, intangible fixed assets are subject to an impairment test utilising the criteria described in the section "Loss of value (impairment)". Any impairment recognised may be subject to later writebacks if the reasons that led to the impairment cease to exist.
The gain or loss arising from derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in income statement when the asset is derecognized.
Any goodwill and other intangible assets with undefined useful lives, if present, are not subject to amortisation. The recoverability of their carrying amount is verified at least once a year and in any case

whenever events occur which could indicate impairment, with the exception of goodwill, which undergoes an impairment test at least once a year.

20) Concession Rights

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

Restoration or replacement activities are not capitalised and fall within the estimates of provisions for restoration or replacement. The reader is referred to the information found with reference to provisions for risks.
The provision for amortisation/depreciation and the provision for restoration and replacement, considered together, ensure adequate coverage of the following charges:
- transfer to the incoming Manager, at the carrying amount, upon expiration of the concession for assets transferable free of charge with a useful life that exceeds the duration of the concession;
- restoration or replacement of components subject to wear within the assets used under the concession;

When events occur that indicate impairment of these intangible assets, the difference between the carrying amount and the relative "recoverable value" is recognised in the income statement.
Amortisation of concession rights is carried out, solely for assets for which a "takeover value" will be recognised at the end of the concession, based on the useful life of the underlying assets, using the criteria found in the table in the section "Property, plant and equipment". On the other hand, assets that are used to determine the takeover value, are amortised based on the lesser of the duration of the concession and the useful life of the individual assets.

21) Impairment

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

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

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

22) Leases

When it signs a contract, Alia SpA assesses whether or not it contains a lease. In other words, whether the contract confers the right of use of an identified asset over a period of time, in exchange for a fee.
Alia SpA only operates as a lessee, adopting a single model to recognise and measure all leases, excluding short-term leases and leases for low-value assets. Alia recognises liabilities relating to lease payments and right-of-use assets which represent the right to utilise the asset underlying the contract. Therefore, for all leases in which it is a lessee, with the exception of short-term leases (i.e. contracts with a duration of 12 months or less and which do not contain a purchase option) and low value leases (i.e. with a unit value of less than € 5 thousand), it recognises a right of use, that is the right to utilise the asset underlying the contract, as from the start of the lease, corresponding to the date on which the underlying asset is available for use.
Lease fees relative to short-term and low-value contracts are recognised as costs in the income statement at constant rates throughout the duration of the lease.

Right-of-use assets

Alia SpA recognises right-of-use assets from the date the lease starts (i.e. the date when the underlying asset is available for use).
Right-of-use assets are measured at cost, net of cumulative amortisation and impairment, and adjusted for any redetermined lease liabilities. The value assigned to rights of use corresponds to the amount of the lease liability recognised, in addition to any initial direct costs incurred, lease fees settled on the day the contract began or previously and writeback costs, net of any leasing incentives received. The discounted value of the liability determined in this way increases the right of use for the underlying asset, with a dedicated provision established as a balancing entry. Unless Alia SpA is reasonably certain to become the owner of the leased asset at the end of the lease, rights of use are amortised at a constant rate over the lesser of the estimated useful life or the duration of the contract.
The duration of the lease is calculated considering the non-cancellable period of the lease, together with periods covered by an option to extend the agreement, if this is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if this is reasonably certain to not be exercised. Alia SpA determines whether it is reasonably certain to exercise extension or termination options or not, taking into account all relevant factors which create economic incentives for these decisions.
Right-of-use assets are subject to impairment. Reference is made to the section "Impairment of non-financial assets".

Lease related liabilities

Financial liabilities for leases are recognised on the date the agreement is recognised for a total value equal to the current value of the lease payments to be made during the duration of the contract, discounted using incremental borrowing rates (IBR) when the implicit interest rate in the contract cannot be easily determined.
The payments include the fixed payments (including basic fixed payments), net of any lease incentives to be received, the variable lease payments that are dependent on an index or rate, and the amounts to be paid by way of a guarantee or residual value. Lease payments also include the price to exercise the purchase option, if it is reasonably certain that Alia SpA will exercise this option, as well as the payment of penalties to terminate the lease, if the lease term takes into account Alia SpA exercising the option to terminate the lease.
Variable lease payments that are not dependant on an index or rate are recognised as costs over the period (unless there were incurred to produce inventories) when the event or the condition generating the payment occurred.

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

23) Financial instruments - Recognition and measurement

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

24) Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial assets at fair value through OCI (debt instruments)
For assets from debt instruments measured at fair value through OCI, the interest income, the changes owing to exchange differences and write-downs, together with write-backs, are recognised in the income statement and are calculated in the same way as financial assets measured at amortised cost. The

remaining fair value changes are recognised in OCI. At the moment of elimination, the cumulative fair value change recognised in OCI is reclassified in the income statement.
Alia's assets from debt instruments measured at fair value through OCI include investments in listed debt instruments included in other non-current financial assets.

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

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

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized firstly (i.e. removed from Alia SpA's statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished, or
- the company has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them entirely and without delay and (a) has substantially transferred all the risks and benefits of ownership of the financial asset; or (b) has not transferred nor substantially kept all the risks and benefits of the asset, but has transferred control thereof.

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

25) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

For hedge accounting purposes, hedges are of three types:

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

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

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

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

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

Cash flow hedges
The portion of gain or loss on the hedged instrument, related to the part of effective hedging, is recognised in the statement of other comprehensive income in the “cash flow hedge” reserve, while the ineffective part is recognised directly in the statement of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower between the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.
Alia SpA uses forward currency contracts to hedge its exposure to exchange rate risk related both to planned transactions and to commitments already established; in the same way, it uses forward commodity contracts to hedge against the volatility of commodity prices. The ineffective part of forward currency contracts is recognised in other costs and the ineffective part of forward commodity contracts is recognised among other operating costs or income.

Alia SpA designates only the spot component of forward contracts as a hedging instrument. The forward component is cumulatively recognised in OCI in a separate item.
The amounts accumulated among other comprehensive income are accounted for, according to the nature of the underlying hedged transaction. If the hedged operation subsequently entails the recognition of a non-financial component, the amount accumulated in shareholders' equity is removed from the separate component of shareholders' equity and included in the cost value or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognised in OCI for the period. This is valid also in the case of a hedged planned operation of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which the accounting of fair value hedging operations applies.
For any other cash flow hedging, the amount accumulated in OCI is reclassified to the income statement as an adjustment from reclassification in the same period or in the periods during which the hedged cash flows impact the income statement.
If the cash flow hedge accounting is interrupted, the amount accumulated in OCI must remain such if it is expected that the hedged future cash flows will occur. Otherwise, the amount must immediately be reclassified in profit/(loss) for the year as a reclassification adjustment. After the suspension, once the hedged cash flow occurs, any remaining amount accumulated in OCI must be accounted for according to the nature of the underlying transaction as described above.

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

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

26) Inventories

Warehouse inventories mainly include spare parts, as well as goods and finished products (granules derived from recycled plastic) functional for waste collection and treatment business;

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

27) Losses in value for non-current assets

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

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

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

28) Cash and cash equivalents and short-term deposits

Cash and cash equivalents include cash in hand and short-term deposits falling due within three months, which are not subject to significant risks of changes in value.

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

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

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

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

31) Financial liabilities

Initial recognition assessment

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

Subsequent measurement

For the purposes of subsequent measurement financial liabilities are classified into two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (financing and loans)

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

Financial liabilities at amortised cost (financing and loans)

After initial recognition, loans are measured with the amortised cost criterion using the effective interest rate method. The gains and losses are accounted for in the income statement when the liability is extinguished, as well as through the amortisation process.
The amortised cost is calculated recognising the premium on acquisition and the fees and costs that are an integral part of the effective interest rate. The amortisation at the effective interest rate is included among financial expenses in the statement of profit/(loss).
This category generally includes interest-bearing loans and receivables.

Derecognition

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

Offsetting of financial instruments

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

32) Provisions for risks and charges

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

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

Provision for restoration and replacement
Pursuant to IFRIC 12 the concession holder does not meet the requirements to recognise the infrastructure as property, plant and equipment and the accounting treatment of work performed on the infrastructure varies based on the nature of the same. More specifically, it is divided into two categories: work associated with normal infrastructure maintenance and replacement and scheduled maintenance for the infrastructure at a future date.
The first refers to normal ordinary infrastructure maintenance and is recognised in the income statement when incurred, also in line with IFRIC 12. The second category, considering that IFRIC 12 does not envisage recognition of the physical infrastructure asset but rather the right to utilise it, must be recognised in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets which on one hand requires the recognition in the income statement of an allocation divided into an operating component (including possible effects deriving from changes in the discount rate) and a financial component, and on the other, the recognition of a provision for charges in the balance sheet.
Consistent with the requirements established in the concession contract, the provision for restoration or replacement includes the best estimate of the current value of charges accrued for scheduled maintenance at the reporting date, intended to ensure the required function, operation and safety of the corpus of assets under the concession, based on information available at the time the financial statements are prepared.

Post closure provisions
This represents the amount allocated to handle costs that must be incurred to manage the closure and post-closure period of landfills currently managed. Future outlays are discounted in line with the provisions of IAS 37. Increases in the provision include the financial components obtained through the discounting procedure and allocations required after changes in the hypotheses for future outlays, following revision of estimates both for landfills currently in use and those which are already full. Uses represent effective outlays during the year. Allocations are made taking into account the provisions of current law (Italian Legislative Decree 36/2003).

33) Post-employment benefits

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

Based on Finance Law no. 296 of 27 December 2006, for the purposes of IAS 19, only liabilities relating to the severance indemnities accrued that have remained with the company were valued, because the accruing portions are paid to a separate entity (Complementary pension or National Pension Fund INPS). Consequent to these payments, the company will have no further obligations related to work provided in future by the employee.

Benefits guaranteed to employees and awarded concurrently or subsequent to their termination of employment, based on definite benefit plans (discounts on electricity, healthcare, other benefits) or long-term benefits (loyalty bonus) are recognised in the period when the right accrues.
Liabilities related to definite benefit programmes, net of any assets servicing the plan, are determined by independent actuaries based on actuarial assumptions, and are recorded in relation to the work needed to obtain the benefits.

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

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

5.4 Changes to accounting standards and disclosure

Alia SpA applied for the first time certain standards and amendments that took effect as from 1 January 2023. Alia SpA has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

Standards or amendments in force from 1 January 2023

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

These amendments did not have any impact on Alia SpA's annual financial statements.

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Taxes restrict the scope of application of the exemption to initial reporting, so that it no longer applies to the transactions that give rise to temporary taxable differences and deductible in equal measure such as leases and liabilities for disposals.

These amendments did not have any impact on Alia SpA's annual financial statements.

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

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

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

The amendment had no impact on Alia's annual financial statements, as Alia SpA is not affected by the Pillar Two Rules because it only operates in Italy.

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

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

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

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

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

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

- On 25 May 2023, the IASB published an amendment known as *"Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements".* The document requires an entity to provide additional information about reverse factoring agreements which allow financial statement users to evaluate how financial agreements with suppliers may influence the entity's liabilities and cash flows and understood the effect of these agreements on the entity's exposure to liquidity risk. The amendments take effect as from 1 January 2024. Early application is allowed. The Directors do not expect any significant impacts on the Group's consolidated financial statements or the parent company's financial statements from adoption of this amendment.

- On 15 August 2023, the IASB published an amendment known as *"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability".* The document requires an entity to apply a methodology consistently to determine whether a currency can be converted to another and, when not possible, how to determine the exchange rate to use and the information to provide in the Notes. The amendment takes effect as from 1 January 2025. Early application is allowed. The Directors do not expect any significant impacts on the Group's consolidated financial statements or the parent company's financial statements from adoption of this amendment.

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

5.5 Reclassifications of comparative data

Note that to offer the reader better comparability for the information in the financial statements at 31 December 2023, the presentation of certain amounts relative to the previous year has been modified.
In particular, the following reclassifications occurred:
- to *"Profit (loss) from non-financial equity investments"* € 929,131 previously recognised under *"Stake in profit (loss) of joint ventures and associated companies";*
- to "*Other income*" € 2,632,814 previously recognised under "*Construction Costs, Concession Rights*".

6. SIGNIFICANT ACCOUNTING ESTIMATES

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

(i) Variable fees from customers

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

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

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

(ii) Recoverable value of non-current assets

Impairment is recognised to the value of a non-current asset when events or changes in circumstances lead to the assumption that the carrying amount is not recoverable. The events that could determine a loss in an asset's value are changes to business plans, regulatory changes, a high turnover of customers, changes in market prices, reduced usage of plants. The decision whether to proceed with impairment and quantification thereof depends on management's assessments of complex and highly uncertain aspects, which include future pricing trends and the impact of inflation.

The impairment occurs when the asset or cash generating unit's carrying value exceeds its recoverable value, which is the higher between its fair value less sales costs and its use value. Fair value less sales costs is the amount obtained from the sale of an asset or cash generating unit in a free transaction between cognisant and available parties, less the disposal costs. In determining this fair value, Management may also use technical reports prepared by third parties, especially with regard to the industrial value of assets under concession.

The calculation for the use value is based on the discounted cash flow model. The cash flows derive from forecast plans which consider specific estimates and do not include restructuring projects to which Alia SpA has not yet committed or significant future investments that will increase the value of the assets making up the cash generating unit subject to the assessment. The recoverable value depends significantly on the discount rate used in the discounted cash flow model, as well as the expected cash flows in the future and growth rate used for the extrapolation. The key assumptions used to determine the recoverable value are described in detail under the impairment tests pursuant to IAS 36.

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

(iii) Amortisation/ depreciation

Amortisation/depreciation is calculated on the basis of the asset's estimated useful life or the residual duration of the concession. Useful life is determined by Directors, with the help of technical experts at the time of recording the asset in the financial statements; the assessment regarding the useful life term is based on historic experience, market conditions, forecasts on future events that could impact on the useful life, including changes in technology. Alia SpA periodically reviews changes in technology and the sector, the expenses for dismantling/closing, and the recovery value to update the residual useful life. This periodic update could involve a change to the amortisation/depreciation period, and therefore also the depreciation rate for future periods.

(iv) Defined benefit plans

The cost of defined benefit pension plans after employment and the current value of the defined benefit obligation are determined by using actuarial assessments. The actuarial assessment involves calculations using various assumptions that can differ from effective future developments. These assumptions include determining the discount rate, future salary increases, the mortality rates, and future pension increases. Due to the complexity of this assessment and its long-term nature, these estimates are especially sensitive to changes in the assumptions. All assumptions are reviewed on an annual basis.

The discount rate represents the parameter subject to the greatest variations. In determining the appropriate discount rate, directors use the corporate bond interest rate as a reference, in currencies consistent with the currencies for the defined benefit obligations, that are assigned a minimum AA rating by internationally recognised rating agencies and with average expiries corresponding to the expected term of the defined benefit obligation. Obligations are subject to an additional qualitative analysis and those that present a credit spread that is deemed excessive are eliminated from the obligations population on which the discount rate was calculated, because they do not represent a high-quality category of obligations.

The mortality rate is based on tables available for the specific mortality of each country. These mortality tables tend to vary only at intervals in relation to demographic changes. Future salary increases and pension increases are based on the expected inflation rate for each country. Additional information is provided in Note Employee severance indemnity.

(v) Fair value of financial instruments

When the fair value of an asset or liability in the statements of financial position cannot be measured on the basis of listing on an active market, the fair value is determined by using different valuation techniques, including the discounted cash flow model. The inputs used in this model are taken from observable markets, where possible, but should this not be possible, a certain level of estimation is required to define fair values. Estimates include considerations on variables such as liquidity risk and credit risk, if deemed relevant. Changes in the assumptions in these aspects could have an impact on the fair value of the financial instruments recorded.

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

(vi) Provisions for risks and write-downs

Identifying whether a current obligation exists or not (legal or implicit) is under some circumstances not easy to determine. Directors evaluate these on a case by case basis, while simultaneously estimating the amount of economic resources required to comply with the obligation. The estimate of provisions is the result of a complex process which requires subjective decisions by Alia SpA management. Alia SpA is also involved in legal and tax cases involving complex and difficult legal issues which are subject to a different level of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and various applicable laws. Given the uncertainties inherent to these aspects, it is difficult to predict with uncertainty the outlay that would derive from these disputes and it is consequently possible that the value of the provisions for legal proceedings and disputes may vary in line with future developments in the proceedings in progress. Alia SpA monitors the status of proceedings in progress and consults with its attorneys and legal and tax experts. When directors hold that a liability is only possible, the risks are indicated in the relevant section on commitments and risks, without giving rise to any provision.

With reference to the waste collection and management sector, the provision for landfills represents the amount allocated to handle costs that must be incurred to manage the closure and post-closure period of landfills currently managed. The estimate takes into account the best available forecast for future outlays as of the reporting date, derived for each landfill from a specific appraisal performed annually by external experts and includes the trend in discount rates utilised in compliance with IAS 37.

The provision for write-downs reflects management's estimate of expected losses associated with the portfolio of receivables. Alia SpA applies the IFRS 9 simplified approach and records expected losses for all trade receivables based on the residual duration, defining the provision based on historic credit loss experience, adjusted to take specific forecast factors into account with reference to creditors and the economic situation (Expected Credit Loss - ECL concept).
With reference to receivables for TARIC revenue, in the absence of historic data, the estimate of the recoverability of the amount of receivables recognised was the result of a measurement exercise carried out by management based on statistical data provided by third-party suppliers. As 2023 was the first financial year of integrated urban waste management with the TARIC fee in some of the municipalities served, the writedown percentages were determined using historical analysis of the insolvency rate seen from 2019-2020 with reference to a significant sample of TARIC customers nationally, broken down into domestic and business customers, and applied to receivables for invoices issued and to be issued as at the reporting date.

(vii) Estimates on Lease agreements as lessee

Starting from 1 January 2019, following application of IFRS 16, the following significant accounting estimates were made by Alia SpA in its capacity as lessee:

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

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

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

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

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

Macroeconomic and geopolitical uncertainty

Alia carefully monitors the current macroeconomic scenario and recent international political events, paying particular attention to the evolution of geopolitical scenarios and relevant legislation. The international geopolitical tensions caused by Russia's invasion of Ukraine, as well as the varying sanctions imposed against Russia and Russian citizens, increase systemic risks. The risks of continuation of the conflict, the risk of expansion of military operations and the geopolitical crisis, in addition to the impacts of the economic sanctions imposed by the international community on Russia could impact on global production, the supply chain, and the confidence of consumers, businesses and investors with consequent

delays or interruptions in spending and investment decisions. The onset of such events could trigger a slowdown in the macroeconomic cycle, a stagnation or, in the worst case, a global recession.
Despite the presence of a highly volatile macroeconomic scenario and slowed economic growth, characterised by very high inflation at global level, restrictive monetary policies by the Central Banks and high benchmark rates, in addition to a critical geopolitical situation following the ongoing conflict, Alia continues to focus on realising its business strategies and, to date, has not identified significant impacts on its performance or on the assumptions and estimates used to measure assets and liabilities, nor elements requiring in-depth analysis of the validity of the assumption of going concern.
Also note that Alia and its subsidiaries do not have offices or relevant business in the regions affected by the conflict.

Climate change

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

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

For Alia, climate change is mainly an economic risk, given its possible repercussions on Alia's core business:
- increased operating costs (e.g. insurance costs);
- gradual reduction in demand for gas for domestic heating (NIECP 2019) with consequent reduction in the business margins;
- electrification process of consumption and use of renewable resources in replacement of fossil fuels in the long term (carbon neutrality target by 2050) (NIECP 2019);
- increased frequency of extreme weather events in locations in which the distribution companies of Alia SpA operate, which could result in infrastructure becoming unavailable for extended time frames, with possible service interruptions.

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

Significant events during the year

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

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

Below is a brief description of the merged companies:

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

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

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

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

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

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

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

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

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

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

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

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

Statement of Financial Position	Consiag	Acqua Toscana	Publiservizi	Total
Property, plant and equipment	27,801,843		597,242	28,399,085
Intangible assets	11,719		1,149	12,867
Equity investments	243,027,420	177,587,800	127,436,192	548,051,412
Other non-current financial assets	13,028,312			13,028,312
Deferred tax assets	4,524,913		504,132	5,029,045
NON-CURRENT ASSETS	**288,394,206**	**177,587,800**	**128,538,715**	**594,520,721**
Trade receivables	1,384,009		55,874	1,439,884
Current tax assets	100,607	2	114,191	214,800
Other current assets	138,035	10,373	1,843,983	1,992,391
Other current financial assets	4,037,297			4,037,297
Cash and cash equivalents	29,730,297	8,461,908	6,919,244	45,111,448
CURRENT ASSETS	**35,390,246**	**8,472,283**	**8,933,291**	**52,795,820**
TOTAL ASSETS	**323,784,452**	**186,060,083**	**137,472,006**	**647,316,541**
Provisions for risks and charges	45,000		7,054,047	7,099,047
Employee severance indemnity	31,364			31,364
NON-CURRENT LIABILITIES	**76,364**		**7,054,047**	**7,130,411**
Short-term borrowings	114	39		153
Trade payables	2,387,537	263,511	358,444	3,009,492
Current tax liabilities	18,267	1,828		20,095
Other current liabilities	681,503		500,612	1,182,115
CURRENT LIABILITIES	**3,087,421**	**265,378**	**859,056**	**4,211,855**
TOTAL LIABILITIES	**3,163,785**	**265,378**	**7,913,103**	**11,342,266**
TOTAL NET IDENTIFIABLE ASSETS	**320,620,667**	**185,794,705**	**129,558,903**	**635,974,275**
Share capital	129,476,601	30,855,779	45,573,139	205,905,519
Share premium reserve	191,144,066	154,938,926	83,985,764	430,068,756
INCREASE INCLUDING SHARE PREMIUM	**320,620,667**	**185,794,705**	**129,558,903**	**635,974,275**

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

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

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

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

- cash and cash equivalents for € 29,730,297;
- net trade payables for € 1,003,528.

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

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

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

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

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

Acquisition of a controlling interest in Estra SpA

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

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

The contents of the agreement, jointly with the by-laws, determine that:
- Estra is subject to the dominant influence of Alia and therefore in control pursuant to Art. 2359, no. 2) of the Italian Civil Code;
- Alia exercises management and coordination of Estra.

Holding that the requirements under IFRS 10 are met, in consideration of the valid rights which allow Alia the ability to direct Estra's relevant business and have a significant impact on its returns, this company was reclassified under subsidiaries in the financial statements at 31 December 2023, from its previous status as an associated company, measured using the equity method at 30 June 2023.

7. EXPLANATORY NOTES TO INCOME STATEMENT ITEMS

7.1. Revenue

Revenue from the waste collection, processing and disposal service total € 336,945 thousand, of which € 277,716 thousand from Municipalities which are direct and indirect shareholders and € 59,229 thousand from individual customers in the Municipalities which participate in the ATS-1 (Social Welfare Division no. 1), for which the TARIC (tariff fee) was activated in 2023. The remaining revenue refers to other sales and commercial services.

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Revenue from integrated waste management - TARI	277,715,733	338,323,739	-60,608,006
Revenue from integrated waste management - TARIC	59,229,225	1,343,517	57,885,707
Revenue from other activities	44,988,043	38,099,896	6,888,147
TOTAL	**381,933,001**	**377,767,153**	**4,165,848**

<u>Revenue from integrated waste management</u>

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

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

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

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

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

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

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

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

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

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

Construction revenue from concession rights represents the amount due for work performed in favour of the granting entity and are measured at fair value, determined based on total costs incurred.
The balancing entry for these revenues is represented by concessionary rights for intangible assets.
At 31 December 2023, construction revenues from concession rights totalled € 97,497,225.00.

Revenue from other activities

This item mainly includes revenue from consortia (COREPLA, COREVE, CONSORZI RAEE, etc.) and other entities with reference to contributions for sales of materials coming from separate waste collection (paper, steel, iron, electronic equipment, glass, plastic, etc.).

7.2. Other operating revenue

Other operating revenue amounted to € 17,966,855 (€ 5,546,360 at 31 December 2022) and is broken down in the schedule below:

Description	2023	2022	Changes
Revenue for indemnities	755,168	128,734	626,435
GSE electricity production incentives	-	118,842	-118,842
Contingent assets	2,084,807	879,477	1,205,330

Corporate canteen revenue	354,007	300,426	53,581
Revenue from penalties	522,791	494,892	27,899
Amounts recovered and reimbursed	1,103,306	1,462,630	-359,324
Incentive tariff	116,583	118,419	-1,836
Flood emergency contribution	10,272,785		
Other revenue	2,757,408	2,042,940	714,467
TOTAL	**17,966,855**	**5,546,360**	**12,420,495**

Other revenue includes € 1,349 in rent receivable, mainly associated with the property in Via Panziera acquired with the merger by incorporation of Consiag Spa and leased to Estra Spa and Consiag Servizi Comuni.

Also note the amount of € 10,273 thousand relative to the expected contribution from the Region of Tuscany against costs incurred following the exceptional flooding on 2 November 2023 in the provinces of Florence, Livorno, Pisa, Pistoia and Prato, for projects carried out by Alia as the entity identified by the waste management Commissioner to handle this work, for both urban and special waste generated in the areas impacted by river and stream flooding.
As of the reporting date, a specific estimate was made with respect to the work carried out in this role and the amount to which the company is entitled, based on the indications found in ordinance 1037/23 following recognition of damages.
Supported by its attorneys, the company recognised the amount of € 10,273 thousand under the item "Other operating revenue", deeming payment to be highly probable and therefore a possible downward adjustment at the time of payment insignificant.

7.3. Other income

Other income amounted to € 1,740,199 (€ 2,086,235 at 31 December 2022) and is broken down in the schedule below:

Description	2023	2022	Changes
Plant grants	119,490	107,612	11,878
Capital grants	499,658	699,475	-199,817
Operating grants	43,718	505,693	461,975
Revenues from recovery of fuel excise	357,251	91,907	265,344
Capital gains	350,705	540,780	-190,075
Research and development grant	6,820	6,820	-0
Capitalisation, internal personnel costs	4,312	133,948	-129,636
Other income	358,246	-	358,246
Other Income	**1,740,199**	**2,086,235**	**-346,036**

7.4. Operating costs

Below is the total and breakdown of operating costs at 31 December 2023:

Description	2023	2022	Changes
Fuel and lubricants	8,955,970	9,341,189	-385,219
Spare parts	2,141,654	1,856,187	285,468
Bags	1,805,575	1,958,185	-152,610
Consumables	2,127,285	2,550,746	-423,461
Chemical products	512,759	677,376	-164,617
Other purchases	3,006,206	2,456,634	549,572
Consumption of Raw Materials and Consumables	**18,549,450**	**18,840,316**	**-290,867**
Waste collection	62,830,362	56,902,759	5,927,603
Insurance	3,923,401	3,852,875	70,526
TIA collection services	1,505,247	1,138,220	367,027
Legal and notary expenses	900,345	446,305	454,040
Services from third parties	7,483,095	5,836,223	1,646,872
Supplier reimbursement of regional waste disposal tax	2,457,709	2,541,668	-83,958
Others	16,168,706	14,725,777	1,442,929
Waste transport, processing and disposal	90,452,295	80,341,074	10,111,221
Cleaning and sweeping	6,229,426	5,653,989	575,438
Management and cleaning, green areas and historic centres	8,484,978	7,659,148	825,830
Environmental hardship indemnity	1,078,626	1,317,797	-239,171
Maintenance	10,644,266	9,956,041	688,225
Energy, water, gas and telephony	4,518,773	4,457,598	61,175
Leases and rents payable	6,845,004	4,179,865	2,665,139
Canteen	1,709,426	1,499,652	209,775
Costs for Services	**225,231,660**	**200,508,990**	**24,722,670**
Wages and salaries	73,587,624	69,949,305	3,638,319
Agency staff	7,639,477	8,140,178	-500,701
Social security contributions	25,878,859	23,491,347	2,387,513
Employee severance indemnity	4,737,503	4,659,027	78,476
Other personnel costs	5,201,379	4,211,253	990,126
Personnel Costs	**117,044,842**	**110,451,110**	**6,604,702**
Regional disposal tax	722	3,260	-2,538
Contingent liabilities	218,849	678,878	-460,029
Sundry taxes and duties	1,402,336	1,396,223	6,113
Capital losses	1,101,041	304,696	796,345
Other operating expenses	1,701,225	1,055,615	645,610
Other Operating Expenses	**4,424,173**	**3,438,672**	**985,501**
Total Costs	**365,250,125**	**333,239,088**	**32,022,006**

Fees paid to Directors totalled € 355,620.

With respect to the average number of employees at 31 December 2023, please see the Management Report, "Personnel, recruitment policies and training".

7.5. Construction Costs, Concession Rights

At 31 December 2023, construction costs for concession rights totalled € 132,484,003 and were recognised in line with IFRIC 12.

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

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

7.7. Amortisation, Depreciation, Provisioning and Writedowns

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

Description	2023	2022	Changes
Intangible Fixed Assets	24,805	19,537	5,269
Property, Plant and Equipment	839,709	256,246	583,464
Amortisation, concession rights	27,582,356	21,059,119	6,523,237
Amortisation, rights of use	509,552	333,292	176,260
Provisions for Risks	-95,270	-102,914	7,644
Provisions landfill post-management	-2,538,626	1,621,665	-4,160,291
Amortisation, real estate investments	17,637	-	17,637
Depreciation, property, plant and equipment	2,072,414	-	2,072,414
TOTAL	**28,412,579**	**23,186,945**	**5,225,634**

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

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

This item consists of:

Description	2023	2022	Changes
Provision for writedowns	5,037,621	952,304	4,085,317
TOTAL	**5,037,621**	**952,304**	**4,085,317**

The increase in the item is mainly due to the start of the Tariff Fee (TARIC) in the Municipalities adhering to ATS-1, transferring from a tax-type amount to a tariff-type amount, leading to creditor positions with respect to end users.
To that end, please see the comments on the provision for write-downs.

Description	2023	2022	Changes
Write-downs on equity investments	1,770,813	-	1,770,813
Write-downs on non-current financial assets not constituting equity investments	65,827	-	65,827
TOTAL	**1,836,640**	**-**	**1,836,640**

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

The balance at 31 December 2023 was € 17,962,356 (€ 60,379 at 31 December 2022) and includes income (expense) from revaluations (writedowns) resulting from using the equity method to measure investments in associated companies. Please see the comments on the corresponding item in the balance sheet assets.

7.10. Financial income

The table below provides a breakdown of financial income:

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Income from equity investments in other companies	7	3	4
Other interest income on receivables	3,046,757	2,091,999	954,759
Interest income on bank accounts	194,027	12,933	181,093
Interest income from subsidiaries	112,962	14,930	98,032
Interest income from associates	86,090		86,090
Interest income from other companies	134,176		134,176
Income other than the above	398,488	392	398,096
TOTAL	**3,972,507**	**2,120,257**	**1,852,250**

7.11. Financial expenses

The table below provides a breakdown of financial expenses:

Description	2023	2022	Changes
Interest expense on loans	242,261	1,370,534	-1,128,273
Interest payable on bonds	5,446,720	2,534,852	2,911,868
Interest expense on arrears	39,520	19,525	19,995
Interest expense on bank accounts	12,575	28,175	-15,600
Financial expense on discounting of provisions for landfill post-management	460,066	202,163	257,903
Interest expense, TFR	401,152	65,212	335,940
Other interest expense	126,523	1,214,927	-1,088,404
Interest expense on loans	5,520,980	-	5,520,980
Expenses other than the above	66,179	-	66,179
TOTAL	**12,315,975**	**5,435,387**	**6,880,588**

7.12. Taxes

Below is the reconciliation between the difference in the value of production and the cost of production with IRAP taxable. The rate for 2023 was 5.12%, unchanged with respect to 2022:

Difference between production value and costs	139,093,330
Increases due to revenues	
Decreases due to revenues	13,842,240
Increases due to costs	5,498,642
Decreases due to costs	103,138,656
Taxable	27,611,078
Current IRAP rate	5.12%
IRAP accrued taxes	1,413,687

Below is the reconciliation between accounting income and IRES taxable.

Earnings before income taxes	27,372,264
Increases	18,014,308
Decreases	45,230,885
Tax losses	-124,550
ACE deduction	-31,138
Taxable	0
IRES rate	24%
IRES accrued taxes	0

Below is the tax rate calculated for 2023:

Current IRES tax	13,641
Current IRAP tax	1,413,687
Change in deferred taxes	-2,354,196
Accrued taxes	-926,868
Income before tax	27,372,264

8. EXPLANATORY NOTES TO BALANCE SHEET ITEMS

8.1. Property, plant and equipment

The balance for property, plant and equipment can be found in the following table:

Description	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Fixed assets under construction	Total property, plant and equipment
Amounts at 31/12/2022						
Gross value	8,470,204	13,413,116	8,369	1,047,126	991,613	23,930,428
Provision for amortisation/depreciation	-1,710,300	-4,788,527	-2,567	-1,045,588		-7,546,983
Net balance	**6,759,904**	**8,624,588**	**5,802**	**1,538**	**991,613**	**16,383,445**
Net changes during the year						
Fixed assets from finalisation of business unit disposal	-	-	-	-	-	-
Reclassification, gross value	-	-	-	-		-
Acquisitions from Business Combination	-	-	-	-	-	-
Change in scope of consolidation - Gross Value	-	-	-	-	-	-
Contributions from Mergers - Gross Value	32,675,181	63,366,229	906,388	66,676	-	**97,014,474**
Changes from acquisitions	-	-	-	-	386,471	**386,471**
Write-downs	-	-	-	-	-	-
Decreases	-	-	-	-267,799	-	**-267,799**
Depreciation/amortisation	-684,121	-153,930	-1,088	-570	-	**-839,709**
Provision for depreciation of fixed assets from business unit disposal	-	-	-	-	-	-
Reclassification Provision for amortisation/depreciation	-	-	-	-	-	-
Acquisitions from Business Combination - Provision for amortisation/depreciation	-	-	-	-	-	-
Contributions from Mergers - Provision for amortisation/depreciation	-11,481,237	-63,067,385	-906,388	-58,671	-	**-75,513,681**
Disposal of provision for amortisation/depreciation	-	-	-	267,799	-	**267,799**
Change in scope of consolidation - Provision for amortisation/depreciation	-	-	-	-	-	-
Amounts at 31/12/2023						
Gross value	41,145,385	76,779,345	914,757	1,113,802	1,378,084	121,331,373
Provision for amortisation/depreciation	-13,875,658	-68,009,842	-910,043	-1,104,829		-83,900,373
Net balance	**27,269,727**	**8,769,503**	**4,714**	**8,973**	**1,378,084**	**37,431,001**

The increase seen during the year refers to the fixed assets acquired following the merger by incorporation of Publiservizi SpA and Consiag SpA, as well as the costs to design the Waste to Chemical (WTC) plants.

The largest increase was seen in the item land and buildings, following the contribution of assets owned by Consiag SpA.

8.2. Rights of Use

Description	Land and Buildings	Other assets	TOTAL RIGHTS OF USE
Amounts at 31/12/2022			
Gross value	1,610,526	667,111	
Provision for amortisation/depreciation	-570,328	-46,672	
Net balance	**1,040,198**	**620,439**	**1,660,637**
Net changes during the year			
Fixed assets from finalisation of business unit disposal	-	-	-
Reclassification, gross value	-	-	-
Acquisitions from Business Combination	-	-	-
Changes from acquisitions	692,819	227,853	920,672
Change in scope of consolidation - Gross Value	-	-	-
Contributions from Mergers - Gross Value	-	-	-
Write-downs	-	-	-
Decreases	-	-	-
Depreciation/amortisation	-275,783	-233,769	-509,552
Provision for depreciation of fixed assets from business unit disposal	-	-	-
Reclassification Provision for amortisation/depreciation	-	-	-
Acquisitions from Business Combination - Provision for amortisation/depreciation	-	-	-
Disposal of provision for amortisation/depreciation	-	-	-
Change in scope of consolidation - Provision for amortisation/depreciation	-	-	-
Contributions from Mergers - Provision for amortisation/depreciation	-	-	-
Other changes	-	-	-
Amounts at 31/12/2023			
Gross value	2,303,345	894,964	3,198,309
Provision for amortisation/depreciation	846,111	280,441	1,126,552
Net balance	**1,457,234**	**614,523**	**2,071,757**

Rights of use mainly refer to leases and rentals of: buildings, vehicles and equipment to collect waste, electronic devices and company cars for employees.

8.3. Real estate investments

Description	Land and Buildings	Payments on accounts and advances	TOTAL REAL ESTATE INVESTMENTS
Amounts at 31/12/2022			
Gross value	-		-
Provision for amortisation/depreciation	-		-
Net balance	**-**	**-**	**-**
Net changes during the year			
Fixed assets from finalisation of business unit disposal	-	-	-
Reclassification, gross value	-13,000	13,000	-
Acquisitions from Business Combination	-	-	-
Changes from acquisitions	-	335,888	335,888
Contributions from Mergers - Gross Value	11,882,180	5,720	11,887,900
Change in scope of consolidation - Gross Value	-	-	-
Write-downs	-	-	-
Decreases	-	-	-
Depreciation/amortisation	-17,637	-	-17,637
Provision for depreciation of fixed assets from business unit disposal	-	-	-
Reclassification Provision for amortisation/depreciation	-	-	-
Acquisitions from Business Combination - Provision for amortisation/depreciation	-	-	-
Disposal of provision for amortisation/depreciation	-	-	-
Contributions from Mergers - Provision for amortisation/depreciation	-4,989,609	-	-4,989,609
Change in scope of consolidation - Provision for amortisation/depreciation	-	-	-
Other changes	-	-	-
Amounts at 31/12/2023			
Gross value	11,869,180		11,869,180
Provision for amortisation/depreciation	-5,007,246		-5,007,246
Net balance	**6,861,934**	**354,608**	**7,216,542**

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

8.4. Concession rights

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

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

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

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

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

Revenues from the concession fee were measured in 2022 in line with the ARERA Resolution of 3 August 2021 363/2021/R/RIF "Approval of the waste tariff method (MTR-2) for the second regulatory period 2022-2025", and subsequently approved by the Toscana Centro OTA with Resolution 7 of 23 May 2022. In fact, in this resolution, Toscana Centro OTA resolved to adopt the EFPs prepared for 2022–2025 for each municipality managed by Alia, in line with that established in Annex A to Resolution 363.
In particular, the approval of the 2022-2025 EFP by the OTA shareholder's meeting with Resolution no. 07/2022 of 23 May 2022 for the first time introduced the preparation of a project/investment schedule with a four-year horizon (compared to the previous annual frequency).
Alia management determined, with assistance from external attorneys and the relevant trade association, that the updates which had occurred in the regulatory provisions and the mechanism to determine the tariff made it possible to recognise revenue in the amount of the amortisation incurred but not yet recognised in the tariff due to "time lag t-2". In fact, recall that determination of the fee for financial year "n" is based on costs (relevant for regulatory purposes) incurred in year "n-2"), thereby leading to a two-year time lag between the recognition of charges and the relative recognition in the MTR tariff.
The analysis performed indicated that Alia holds a contractual right to this fee component (Adm. tariff component), given that it has a strong legitimate interest to see recognition of the amount regardless of future performance, overcoming the uncertainty which in past financial years had not made it possible to recognise the fee relative to this tariff component and supporting the accounting recognition of fee in line with amortisation/depreciation calculated on investments authorised, carried out and currently operating.
The change which occurred was recognised as a change in an estimate and was therefore recognised prospectively in the net profit for the year. For more details, please see the information under note 7.1 "Revenue".
Subsequently, with Resolution 1/2023 of 20 March 2023, the Toscana Centro OTA approved the presentation of an infra-period revision request with respect to the tariff established for the supra-municipal tariff scope no. 1 and the municipality of Lastra a Signa for 2023–2025.
In line with the ARERA Resolution of 3 August 2023, 389/2023/R/RIF concerning the two-year updating (2024-2025) of the waste tariff method (MTR-2), the approval process is currently in progress for the aforementioned EFPs for the tariff perimeter.

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

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

d) execution of the works identified in Annex III.

Below is a table providing details on the basic services.

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

Below is a table providing details on the accessory services.

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

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

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

Composition of the concession right

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

Below is a table summarising the carrying amount of the assets within the regulated category:

Description	Land and Buildings	Plant and Equipment	Industrial and commercial equipment	Other property, plant and equipment	Research and development costs	Concessions, trademarks and similar rights	Other intangible assets	Concession rights - Payments on account and assets under construction	Concession rights - Payments on account and intangible assets under development	Total Concession Rights
Amounts at 31/12/2022										
Gross value	158,913,540	117,749,166	7,305,125	173,282,408	2,930,928	30,488,400	9,369,396			550,394,737
Accumulated amortisation/depreciation	-51,122,303	-103,002,481	-5,624,234	-95,670,670	-1,207,356	-10,241,054	-9,354,358			-276,222,457
Net balance	107,791,237	14,746,685	1,680,891	77,611,737	1,723,572	20,247,345	15,038	50,186,723.72	169,050.49	274,172,280
Changes during the year										
Reclassification, gross value	3,277,389	7,562,389	31,653	1,704,453	-140,400	39,317	4,736	-12,435,484	-44,054	0
Changes from acquisitions	550,400	3,142,890	628,311	32,233,704	206,024	14,576,186	77,819	45,399,031	682,860	97,497,225
Write-downs	-	-	-	-2,072,414	-	-	-	-	-	-2,072,414
Decreases	-529,296	-8,924,893	-112,773	-9,212,621	-	-720	-	-	-	-18,780,303
Depreciation/amortisation	-4,159,856	-1,918,743	-426,765	-17,423,364	-251,045	-3,395,071	-7,511	-	-	-27,582,356
Reclassification of accumulated amortisation/ depreciation	-	-	-	-1,671	1,671	-	-	-	-	-
Disposal of accumulated amortisation/depreciation	316,265	8,086,076	109,085	9,054,226	-	720	-	-	-	17,566,372
Other changes	-	-	-	-	-	-	-	-	-	-
Amounts at 31/12/2023										
Gross value	162,212,033	119,529,552	7,852,317	195,935,529	2,996,552	45,103,182	9,451,950	83,150,271	807,856	627,039,242
Accumulated amortisation/depreciation	-54,965,894	-96,835,148	-5,941,914	-104,041,480	-1,456,730	-13,635,406	-9,361,869			-286,238,441
Net balance	107,246,139	22,694,403	1,910,403	91,894,049	1,539,822	31,467,777	90,081	83,150,271	807,858	340,800,804

These are capitalised costs for investments carried out on these types of assets.

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

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

In terms of development costs, which totalled € 206,024, these refer entirely to the increase in capitalisation which had begun in 2019, relative to the project "Suhm - intelligent skips/bins".

An important investment of around € 13,700,000 was made to update the fleet of containers for waste collection. 2023 also saw the introduction of the new digital "Genius 5.0" container, the result of joint development between Alia and Nord Engineering and able to produce a large quantity of useful data for the introduction of the specific tariff.

Installations occurred in the municipalities of Florence, Lastra a Signa, Scandicci and Montecatini.

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

Again with reference to plants, during 2023 the company made investments to create a new anaerobic digestion section at the Casa Sartori Hub for € 27,178,000, as well as carrying out a technological update at the Mechanical Biological Treatment plant (hereafter, also "MBT") in Case Passerini, for around € 4,230,400.

Capping at the Casa Sartori landfill was completed for a total of around € 2,608,000.

In 2023, the updating work at the Case Passerini plant continued, for around € 1,034,000, and a new processing line was installed at the Paronese plant (Prato) for € 1,611,100.

Works at the new Sibile/Calastrini location were completed for a total of € 1,830,800 and works for the collection centre in Pian di Meleto are in progress, for a total of € 754,000, and for the collection centre in Prato, near the Paronese location, for € 452,700.

8.5. Other Intangible Fixed Assets

Description	Start-up and expansion costs	Industrial patent rights	Development costs	Concessions, trademarks and similar rights	Other	Fixed assets under construction	TOTAL OTHER INTANGIBLE FIXED ASSETS
Amounts at 31/12/2022							
Gross value	-	-	27,594	139,801	-	-	167,395
Provision for amortisation/depreciation	-	-	-13,468	-67,522	-		-80,991
Net balance	**-**	**-**	**14,125**	**72,279**	**-**	**-**	**86,404**
Changes during the year							
Fixed assets from finalisation of business unit disposal	-	-	-	-	-	-	-
Reclassification, gross value	-	-	-	-	-	-	-
Acquisitions from Business Combination	-	-	-	-	-	-	-
Change in scope of consolidation - Gross Value	-	-	-	-	-	-	-
Contributions from Mergers - Gross Value	145,398	-	1,098,812	133,811	4,254,350	-	5,632,371
Changes from acquisitions	-	-	-	-	-	34,160	34,160
Write-downs	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Depreciation/amortisation	-	-	-3,942	-20,052	-811	-	-24,805
Provision for depreciation of fixed assets from business unit disposal	-	-	-	-	-	-	-
Reclassification Provision for amortisation/ depreciation	-	-	-	-	-	-	-
Acquisitions from Business Combination - Provision for amortisation/depreciation	-	-	-	-	-	-	-
Disposal of provision for amortisation/ depreciation	-	-	-	-	-	-	-
Change in scope of consolidation - Provision for amortisation/ depreciation	-	-	-	-	-	-	-
Contributions from Mergers - Provision for amortisation/ depreciation	-145,398	-	-1,098,812	-126,180	-4,249,114	-	-5,619,504
Other changes	-	-	-	-	-	-	-
Amounts at 31/12/2023							
Gross value	145,398	-	1,126,406	273,612	4,254,350	34,160	5,833,926
Provision for amortisation/depreciation	-145,398	-	-1,116,222	-213,755	-4,249,925		-5,725,300
Net balance	**-**	**-**	**10,183**	**59,858**	**4,425**	**34,160**	**108,626**

The increase seen during the year refers to the fixed assets acquired following the merger by incorporation of Publiservizi SpA and Consiag SpA.

8.6. Equity investments

The value of equity investments totals € 804,752 thousand, of which € 263,931 thousand in subsidiaries, € 228,836 thousand in jointly controlled companies and € 302,083 thousand in associated companies. Other equity investments total € 9,903 thousand, as reported below.

Equity investments (amounts in thousands of euros)	% stake	Balance at 31 December 2022	Reclassifications	Merger contributions	Increases/ (Decreases)	Revaluation/ (write-down)	Dividends approved	Other changes	Balance at 31 December 2023
Estra S.p.a.	39.504%							238,379,341	**238,379,340.76**
Revet S.p.A.	57.697%	17,516,899			1,066,042				**18,582,941.42**
Programma Ambiente Apuane S.p.A.	80.00%	1,740,000							**1,740,000**
Bisenzio Ambiente S.R.L.	25.00%					-489,811		2,146,089	**1,656,277.76**
Ambiente Energia Risorse S.p.a	90.02%				3,461,069				**3,461,068.73**
Ambiente Toscana Opco S.p.a	100.00%	267,188			1,125,000	-1,281,002			**111,185.71**
Total equity investments, Subsidiaries		**19,524,087**	**0**	**0**	**5,652,111**	**-1,770,813**	**0**	**240,525,429**	**263,930,814**

Equity investments in associates and joint ventures measured using the equity method

Equity investments (amounts in thousands of euros)	% stake	Balance at 31 December 2022	Reclassifications	Merger contributions	Increases/ (Decreases)	Revaluation/ (write-down)	Dividends approved	Other changes	Balance at 31 December 2023
Real S.r.l.	50.10%	2,835,617				**286,905**	**-501,000**		**2,621,522**
Al.Be. S.r.l.	50.00%	10,534,341			**17,500,000**	-104,759			**27,929,582**
Publiacqua S.p.a	57.55%		13,218,382	179,024,000		10,646,174	**-4,604,051**		**198,284,505**
Equity investments in joint ventures		**13,369,958**	**13,218,382**	**179,024,000**	**17,500,000**	**10,828,320**	**-5,105,051**	**-**	**228,835,608**
Irmel S.r.l.	36.00%	461,649				62,837			**524,486**
Valdisieve Scarl	25.00%	298,510				-2,091			**296,419**
Sea Risorse S.p.a	24.00%	507,258				7,086			**514,345**
Estra S.p.a.	39.50%			239,394,240		3,342,282	-4,357,181	-238,379,341	**-**
Bisenzio Ambiente S.R.L.	25.00%			2,332,170		-186,081		-2,146,089	**-**
Toscana Energia S.p.a	30.989%	167,274,071		84,078,000		8,761,668	-8,069,659		**252,044,081**
Acque S.p.a	19.31%			41,902,700		7,760,215	-965,294		**48,697,621**
Acque2o S.p.a	37.94%			18,968		-12,746			**6,222**
Equity investments in associates		**168,541,489**	**0**	**367,726,078**	**0**	**19,733,170**	**-13,392,134**	**-240,525,429**	**302,083,173**
Scapigliato Srl	16.50%	8,500,269							**8,500,269**
Le Soluzioni Scarl	18.69%	87,804							**87,804**
Gida Spa	8.00%			1,097,562					**1,097,562**
Publiacqua S.p.a	57.551%	13,218,382	-13,218,382						**-**
Other companies		28,808		203,773	-14,530	-1,117			**216,933**
Equity investments in other companies		**21,835,263**	**-13,218,382**	**1,301,335**	**-14,530**	**-1,117**	**-**	**-**	**9,902,569**
Total equity investments, Associates and Equity investments in other companies		**203,746,710**	**-**	**48,051,413**	**17,485,470**	**30,560,372**	**-18,497,185**	**-240,525,429**	**540,821,350**

The changes in the year refer mainly to:

- Reclassification of the equity investment in Publiacqua from equity investments in other companies to equity investments in jointly controlled companies, following the increase in the stake held by Alia following the merger by incorporation of Acque Toscane, which brought it from 3.95% at 31 December 2022 to 57.55% at 31 December 2023 and the expiration of the previously existing shareholders' agreement with the shareholder Acque Blu Fiorentine;

- Contributions of equity investments in associates or jointly controlled companies totalling € 546,750,078 deriving from the merger by incorporation of Consiag (39.5% Estra SpA and 25% of Bisenzio Ambiente Srl), Acque Toscane (53.2% of Publiacqua SpA) and Publiservizi (19.3% of Acque SpA, 10.4% of Toscana Energie SpA, 0.4% of Publiacqua SpA and 37.94% of Acque2o SpA), as well as other equity investments for € 1,301,335.

- The acquisition of the 90.02% equity investment in AER - Ambiente Energia Risorse SpA following the share capital increase completed on 15 December 2023 with which the Municipality Shareholders (Dicomano, Figline and Incisa Valdarno, Londa, Pelago, Reggello, Rignano sull'Arno, Rufina and San Godenzo) transferred the shares held in the company to the parent company. Following this, a share capital increase for Alia was registered for € 1,237,542, plus a share premium of € 2,223,526.
The company's purpose is to carry out waste cycle services rendered to the relative municipalities.

- Increase in the equity investments in:

  - Revet Spa, following the acquisition of an additional 2.196% stake by Alia, for € 1,066,042. The stake consequently rose from 55.55% as at 31 December 2022 to 57.697% as at 31 December 2023;

  - Ambiente Toscana Op.Co S.p.A. following the acquisition of an additional 16.67% stake by Alia for € 65,000 as well as a capital payment of € 1,060,000. The stake consequently rose from 83.33% as at 31 December 2022 to 100% as at 31 December 2023;

  - Al.Be Srl following the capital payment of € 17,500,000 during the year;

- Net writebacks totalling € 30,560,372, deriving for € 27,245,497 from writebacks (and writedowns) following application of the equity method for equity investments in associates and, as an extraordinary component, for € 3,314,875 for the profit deriving from the synthetic PPA carried out at the time the equity investment in Acque SpA was acquired, linked to the merger by incorporation of Publiservizi. The investee is classified as an associated company measured with the equity method, in line with the provisions of the Articles of Association and shareholders' agreements which give Alia, which holds a 19.31% stake, significant influence as it can appoint at least one member of the Board of Directors.
In application of the equity method, the percentage of profit (loss) for the investee is adjusted to take into account any fair value adjustments made to the company's assets or liabilities at the time of acquisition. The value of the investment in Toscana Energie includes implicit goodwill, not subject to amortisation, for which recoverability was verified using the discount cash flow method based on the most recently approved plan.

- Decreases due to dividends distributed by investees during the year for € 18,497,185;

- Other decreases totalling € 240,525,429 due to the reclassification of the equity investments in Estra SpA and Bisenzio Ambiente Srl, in which Alia holds a 25% stake and Estra a 75% stake, from investments in associates to investments in subsidiaries.

Note that following the merger by incorporation of Publiservizi, through which Alia acquired, among other things, 19.86% of Acque SpA and 10.38% of Toscana Energia S.p.A., Alia granted an option to acquire these equity investments at a pre-established price to the former shareholders of Publiservizi S.p.A., to be exercised by 30 April 2024, and which must be settled either i) in cash or ii) with the Alia shares acquired following the merger, at the discretion of the said shareholders. Recognition of this option led to the recognition of a payable, recognised under other current liabilities with a balancing equity reserve, which will be reversed in the case in which the option is not exercised. This is deemed probable as of the date these financial statements. This would also be reserved if the option was settled in cash.

With reference to the equity investment in Toscana Energia S.p.A., also note that in the context of the business combination process begun in the previous year with the transfer on 30 December 2022 by the Municipality of Florence of the 20.61% equity investment in the associated company, recognised on 31 December 2022 for € 167,274,071, Alia granted a purchase option to Italgas which can be exercised from 1 January 2025 to 31 March 2025. The price to purchase the shares associated with the options will be equal to their fair market value, which will be determined by an independent expert, as agreed by the parties. The fair market value if and when the option is executed will be calculated using a measurement in line with best international practices for a regulated natural gas distribution company (i.e. the RAB method) and subject to adjustment based on the net financial position of Toscana Energia as of the date the option is exercised. In the absence of a pre-established option price, the fair value of the option is the result of a complex assessment based on variables which serve as the basis for determining the fair value of the option itself and, in particular the future operating scenario deemed most probable by management, in line with updated planning assumptions, adopting the planned changes to the contract conditions between the parties and discounting, when applicable, the corresponding cash flows at a suitable discount rate. With the support of external consultants to determine the possible price at which the option would be exercised and the relative fair value, the Directors have determined that no liability should be recognised in these financial statements.

No indicators of permanent impairment were identified for any equity investments, and consequently no specific impairment tests were conducted, with the exception of the stake in Bisenzio Ambiente S.r.l. and in Ambiente Toscana Op.Co SpA.

- **25% equity investment in Bisenzio Ambiente S.r.l.**

The company Bisenzio Ambiente S.r.l. has as its purpose in particular the management of plants for the storage and chemical, physical and biological treatment of liquid hazardous and non-hazardous special waste and holds, following the contribution made by Cipeco S.r.l. an Integrated Environmental Authorisation (Autorizzazione Integrata Ambientale - A.I.A.) and operates a recently constructed plant for the processing of hazardous and non-hazardous liquid special waste.

The investment was subject to an impairment test following the operating result in 2023, which was lower than predicted in the budget, with a start-up phase for the plant, which was recently authorised, that was slower than initially planned.

The recoverable value of the investment was determined using the Discounted Cash Flow method, which estimates future cash flows and their discounting based on an appropriate discount rate. The cash flows arose from explicit projections until 2031 and the Terminal Value extrapolated using a growth rate of 0.
The cash flow projections represent the best estimates that management could make based on the main assumptions underlying the plant's operations (volumes of waste treated and related mix, maintenance costs and investments in the plant, sales tariffs), as per the latest business plan approved. The approved plan assumes the achievement of an extension of the current expiry of the integrated environmental authorisation (2034). The assumptions underlying the operations of the plant are subject to uncertainties associated with the start-up and commercial development of a recently completed plant, reflected in lower operating cash flow during the initial years of the plan.
The discount rate used to reflect the current market valuations with reference to the present value of money and specific risks associated with the asset, was estimated consistently with the considered cash flows, using the weighted average cost of capital (WACC) after tax of 7.91%.
Following this analysis, the Directors recognised an impairment loss of € 186,081 during the year in question, against a carrying amount that exceeded the value in use.

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

The gross margin was based on the previous year's figures, assuming gradual increases in volumes treated with a significant increase in the plant's production capacity within the limits of the authorisation granted;

an improvement in the mix of waste treated in favour of more profitable types, marginal efficiency improvements in the disposal costs with the increase of volumes treated. Management expects the market share of the plant to grow over the plan's time frame, thanks also to the commercial investments envisaged for maintenance and the acquisition of new customers.
Management recognises that it is possible that new players will enter the market and/or increased competition in the sector could impact significantly on the growth rate and that the increase in disposal costs or the failure to achieve the efficiency targets could lead to a reduction in the margins against those envisaged in the Plan.
The sensitivity analysis was developed by focusing on plant margins, assuming a 5% decrease, with a consequent reduction in cash flows over the course of the plan and in following years, and on a WACC increase of 0.5%. The amounts obtained suggest an additional excess amount in the carrying amount with respect to the recoverable value, between € 250 thousand and € 350 thousand.

- **100% stake in Ambiente Toscana Op.Co.**

During 2023 the company, previously known as Valcofert S.r.l., became a fully owned subsidiary of Alia and was involved in changes with a significant impact on its business in line with the Group's plans.
The previous business carried out by the company (processing and packaging fertilizers for agricultural use) was gradually reduced to zero during 2023, leading to the lease of the relative business unit in March 2024.
The company ended the year with a loss of € 1,060 thousand as an effect, beyond the decrease in revenues, of non-ordinary write-downs. Given the uncertainty, at the reporting date, of the recoverability of the loss in coming financial years, based on the plan and actions which will be defined in concert with the shareholder Alia, the equity investment was written down by € 1,281 thousand, aligning its carrying amount to its shareholders' equity at 31 December 2023, held to be a good approximation of its fair value.

8.7. Non-current financial assets

Below are the following non-current financial assets:

Description	2023	2022	Changes
Receivables from subsidiaries	4,967,840	1,840,794	3,127,046
Other non-current financial receivables	1,785,712	-	1,785,712
Guarantee deposits	1,164,621	1,229,685	-65,064
Non-current securities	9,665,914	-	9,665,914
TOTAL	**17,584,087**	**3,070,479**	**14,513,608**

The balance of € 17,584 thousand at 31/12/2023 includes receivables for loans to subsidiaries and to others payable after twelve months for € 6,754 thousand, as well as € 1,165 thousand in security deposits net of the respective provisions for write-downs.

Also note non-current securities for € 9,666 thousand relative to the bond with a nominal value of € 100 thousand issued on 16/12/2020 by Banca Etica, lasting ten years and maturing on 16/12/2030 and the subscription of the package of life insurance policies with Fideuram for € 9,566 thousand, inherited from the merged company formerly known as Consiag SpA.

Below are changes in the provision for write-downs:

Description	2022	Increases	Use/Release	2023
Provision for write-downs Loan receivables from subsidiaries	119,135	39,618		158,753
TOTAL	**119,135**	**39,618**	**-**	**158,753**

Below are non-current trade receivables:

Description	2023	2022	Changes
Receivables from customers, non-current	552,091	2,733,178	-2,181,087
TOTAL	**552,091**	**2,733,178**	**-2,181,087**

The item includes trade receivables which come due after 12 months, based on payment plans agreed on with the counterparties.

8.8. Non-Current Assets from Contracts with Customers

Description	2023	2022	Changes
Receivables from assets from contracts with customers	25,450,943	19,120,747	6,330,196
TOTAL	**25,450,943**	**19,120,747**	**6,330,196**

The item "Non-Current Assets from Contracts with Customers" includes the amount due from customers in relation, respectively, the tariff component AMM. 2023.

Also see that indicated under note 23, "Revenues".

8.9. Deferred tax assets and liabilities

Description	2023	2022	Changes
Deferred tax assets	14,906,103	9,316,205	5,589,898
Deferred tax liabilities	2,739,400	4,599,852	-1,860,452
TOTAL	**12,166,703**	**4,716,353**	7,450,350

Deferred tax assets are generated by temporary differences between financial statement profit and taxable amounts, mainly in relation to the provision for write-downs, provisions for risks and charges, for statutory depreciation higher than that recognised for fiscal purposes, previous losses and provisions for employee benefits.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets with the corresponding current tax liabilities.

These are recognised in the financial statements offsetting deferred tax assets of € 14,906,103 with deferred tax liabilities of € 2,739,400.

The credit for deferred tax assets shown in the balance sheet (equal to € 14,906,103) includes the credit for deferred tax assets OCI for € 205,408.

The table below shows the composition of deferred tax assets and liabilities and their changes at 31 December 2023 compared to the end of the previous financial year.

ITEMS	Balance at 31 December 2022	Reversals/ Uses	Allocations	Merger contribution	Balance at 31 December 2023
Fixed assets	3,391,923	- 2,311,122			1,080,801
Case Passerini Landfill	1,207,929		450,670		1,658,599
Total deferred tax liabilities	**4,599,852**	**- 2,311,122**	**450,670**	**-**	**2,739,400**
Provision for write-downs	3,918,435	- 18,613	965,046	33,099	4,897,967
Productivity	1,032,097	- 1,032,097	1,248,331		1,248,331
Risks for disputes	574,624	- 636,734	6,188	498,623	442,701
TFR (Employee severance indemnity)	28,357		348,842		377,199
Losses, previous years	1,262,569	- 37,376		2,145,064	3,370,257
Landfills	2,116,771	- 154,607			1,962,164
Write-down of fixed assets		- 134,605		2,261,962	2,127,357
Fideuram Policies, Write-downs		- 79,573		90,297	10,724
Provision for maintenance risks	216,461	- 62,519	71,952		225,894
Write-down of loan receivables	28,592		9,509		38,101
Total deferred tax assets	**9,177,906**	**- 2,156,124**	**2,649,868**	**5,029,045**	**14,700,695**

8.10. Other non-current assets

Description	2023	2022	Changes
IRAP credit (ACE)	25,009	75,031	-50,022
Prepaid expenses	1,840,314	1,326,323	513,991
TOTAL	**1,865,323**	**1,401,354**	**463,969**

The amount of € 25 thousand refers to the transformation of ACE excess into a tax credit that can be offset. Prepaid expenses mainly refer to sureties.

8.11. Inventories

Below is a schedule showing the changes in inventories:

Amounts at 31/12/2022	**2,688,878**
Changes during the year	37,302
Amounts at 31/12/2023	**2,726,179**

Inventories, totalling € 2,726 thousand (€ 2,688 thousand at 31 December 2022) mainly consist of spare parts and equipment to be used in the maintenance and operation of systems.

8.12. Trade receivables

Below is a schedule showing the breakdown of trade receivables:

Description	2023	2022	Changes
Receivables from customers	152,540,167	133,265,363	19,274,804
Provision for write-downs	-22,125,795	-17,183,936	-4,941,859
TOTAL	**130,414,372**	**116,081,427**	**14,332,945**

The balance for trade receivables, equal to € 152,540, mainly consists of receivables from Municipalities, third party customers and associated companies. These receivables for the most part refer to invoices issued to municipalities for environmental hygiene services not yet collected at 31 December 2023 and receivables due from users for TIA bills and from users for TARIC invoices.

For the sake of completeness, note also the presence of trade receivables classified under non-current assets totalling € 552 thousand, mainly relative to trade receivables due after 12 months in line with the payment plans agreed on with the counterparties.

Below are the changes in the provision for write-downs:

Description	31/12/2022	Change in the scope of consolidation	Increases	Uses	31/12/2023
Provision for write-downs	17,183,936	-77,553	4,998,003	133,697	22,125,795

The provision for write-downs was mainly used to write-off trade receivables which were determined, after appropriate solicitation, to not justify additional collection efforts either due to low amounts or bankruptcy or similar proceedings.

The amount allocated mainly includes the writedown of TARIC receivables for € 4,469 thousand. To that end, in the absence of historical corporate data, the estimate of the recoverability of the amount of receivables recognised was the result of a measurement exercise carried out by management based on statistical data provided by third-party suppliers. As 2023 was the first financial year of integrated urban waste management with the TARIC fee in some of the municipalities served, the writedown percentages were determined using historical analysis of the insolvency rate seen from 2019-2020 with reference to a significant sample of TARIC customers nationally, broken down into domestic and business customers, and applied to receivables for invoices issued and to be issued as at the reporting date.

RECEIVABLES BALANCE 2023	*OVERDUE*				*FALLING DUE*
	0-30	31-60	61-90	over 90	
152,540,167	5,749,199	3,241,113	1,460,309	7,412,105	134,677,442

The total amount of "ageing", equal to € 152,540,167, refers to receivables from customers for invoices issued, including invoices to be issued (€ 81,740,194) and notes of credit to be issued (€ 16,236).

Items under the assets in the statement of financial position relative to "Current Assets from Contracts with Customers" and "Non-Current Assets from Contracts with Customers" include the amount due from customers in relation, respectively, to the AMM 2022 tariff component (€ 19.1 million) and the AMM 2023 tariff component (€ 25.4 million).

8.13. Current financial assets

Description	2023	2022	Changes
Receivables from subsidiaries	1,416,668	-	1,416,668
Other current financial receivables	357,144	-	357,144
Current securities	4,108,963	-	4,108,963
TOTAL	**5,882,775**	**-**	**5,882,775**

8.14. Current tax assets

Below is a schedule showing the breakdown current tax assets:

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
IRES tax advances	1,250,276	405,657	844,619
IRAP tax advances	849,779	-	849,779
Tax withholdings incurred	60,191	29,666	30,525
TOTAL	**2,160,246**	**435,323**	**1,724,923**

The balance at 31 December 2023, equal to € 2,160,246, mainly consists of IRES and IRAP advances for amounts in excess of the amount due calculated at the end of the year.

8.15. Other current assets

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
VAT reimbursement	-	418	-418
Other receivables	8,449,216	3,412,205	5,037,012
Accrued income	121	-	121
Prepaid expenses	3,146,466	2,676,699	469,767
Credit from Tuscany Region	10,272,785	-	10,272,785
TOTAL	**21,868,588**	**6,089,321**	**15,779,267**

The balance at 31 December 2023, of € 21,869 thousand, refers to other receivables for € 18,722, net of the provision for write-downs and to accruals and deferrals for € 3,147. Within other receivables, note € 4,169 thousand relative to the dividends for 2022, not yet paid by Real, Toscana Energia Spa and Acque Spa. This also includes the receivable due from the Tuscany Region for € 10,273 thousand for expenses incurred to remove and dispose waste Alia was charged with under ordinance no. 101 of 18 November 2023, issued by the President of the Tuscany Region following the floods on 2-3 November 2023 in certain municipalities in the Provinces of Florence, Prato and Pistoia.
The item other receivables also includes receivables due from Medenergy, which went bankrupt in 2013 and from Discal for € 1,761,000.00, relative to the sale of the Olt Energy equity investment by Consiag Spa on 06/09/2009 and € 92,157.00 from Credigest, relative to which legal disputes are in progress to collect the sums. The amount of these receivables is entirely covered by a specific provision for write-downs for sundry receivables.

8.16. Cash and cash equivalents

The balances of items under cash and cash equivalents are shown below as at 31 December 2023:

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Bank current accounts	28,374,333	16,392,239	11,982,095
Postal current accounts	2,387,718	1,246,698	1,141,019
Cash and cash equivalents	19,358	6,681	12,677
TOTAL	**30,781,409**	**17,645,618**	**13,135,791**

The balance represents cash and cash equivalents and the existence of numbers and values as at the reporting date.

8.17. Share capital

The share capital of Alia Servizi Ambientali SpA is € 360,556,971, consisting of 360,556,971 ordinary shares with a value of € 1, entirely subscribed and paid in, of which 982,107 treasury shares.

During the year, share capital saw the following changes:

- On 26 January 2023, the deed for the merger by incorporation of Publiservizi SpA, Acqua Toscana SpA and Consiag SpA (hereafter, also the "merged companies") in Alia Servizi Ambientali SpA was signed, effective as from 1 February 2023. As a consequence of the merger, the incorporating company Alia Servizi Ambientali SpA carried out a share capital increase of € 225,848,513 and, as a consequence of the subsequent annulment of the Alia shares directly held by Publiservizi and Consiag equal to € 19,942,994.00, share capital was increased by € 153,413,910 to € 359,319,429.
- On 14 October 2023, the Alia Extraordinary Shareholders' Meeting resolved a share capital increase of € 1,237,542.00, as well as a total share premium of € 2,223,527.00. This increase was subscribed on 15 December 2023 by the shareholder municipalities of AER Ambiente Energia Risorse SpA with the transfer of the respective equity investments in AER Ambiente Energia Risorse SpA. The transaction was notarised by Dr. Cerbioni. Consequently, share capital increased from € 359,319,429 to € 360,556,971.

8.18. Reserves

Description	Balance 31/12/2022	Destination of result, previous year	Free capital increase	Other changes during the year	Balance 31/12/2023	Usability (*)
Share premium reserve	135,725,679			432,292,283	568,017,963	A, C
Legal reserve	2,271,901	1,032,477			3,304,378	C
Extraordinary Reserve	29,289,698			-8,382,940	20,906,758	A,B,C
OCI Reserve, Actuarial Losses	390,100			-212,514	177,586	
Retained earnings	355,229				355,229	A,B,C
Other reserves	10,165,513			-126,980,700	-116,815,188	A,B,C
Reserve, Business Combination Ex Asm S.p.A.	- 2,488,476				-2,488,476	A,B,C
Reserve, Business Combination Ex Publiambiente S.p.A.	9,327,922				9,327,922	A,B,C
Reserve, Business Combination Ex Cis S.r.l.	580,659				580,659	A,B,C
Reserve for treasury shares				- 2,709,333	-2,709,333	
Extraordinary reserve and other profit reserves	**49,892,545**	**1,032,477**	**0**	**- 135,576,154**	**- 87,360,466**	
Total reserves	**185,618,224**	**185,618,224**	**0**	**296,716,130**	**480,657,497**	
Reserve for IAS transition	**7,896,005**				**7,896,005**	**A,C**

(*) Capital increase (A) – Distribution to shareholders (B) – use for losses (C)

Share premium reserve

The share premium reserve was established in 2017 against the merger of the companies ASM S.p.A, CIS srl and Publiambiente S.p.A. in the former Quadrifoglio S.p.A. (subsequently Alia S.p.A.). It derived from the differences between capital increases approved at the time of the merger and the net equity remaining from the three merged companies and was reduced following the free capital increase.
This same reserve also includes the differential between the economic results shown in the financial statements used for the exchange at 30 June 2016 and the results used as the basis for the merger transactions at 31/12/2016. These differences, placed in the appropriate reserves, amount to € 3,081 thousand for the contribution from the former Publiambiente S.p.A., € 37 thousand for the former A.S.M. S.p.A. and € 4 thousand for the former CIS srl.
The same differential was also recognised for the equity contribution from the former Quadrifoglio S.p.A., recorded appropriately as extraordinary and other profits in the amount of € 2,218 thousand.

During 2023, the share premium reserve increased by € 432,292 thousand. The increase is mainly due to the merger by incorporation of Publiservizi SpA, Acqua Toscana SpA and Consiag SpA in Alia Servizi Ambientali SpA.

Reserves for treasury shares

The Reserve for treasury shares shows a negative value of € 2,709,333 and was established against the corresponding number of treasury shares in the portfolio at 31 December 2023 to be understood as reducing share capital.

8.19. Provisions for risks and charges

Below is a breakdown of the item:

Description	Provision for Risks, Case Passerini	Provision for Risks, Vaiano Landfill	Provision for Risks, Vigiano Landfill	Other Provisions for Risks	Provision for Extraordinary Maintenance Risks (IFRIC 12)	Plant dismantling provision	Total
Opening Balance	18,282,585	1,556,887	6,297,307	9,342,700	743,342		**36,222,821**
Increases							**-**
Provisions				5,222,629	247,089	2,744,031	**8,213,750**
Provision Adjustment	-1,904,548	-135,445	-498,633				**-2,538,626**
Interests	356,918	21,887	81,261				**460,066**
Uses	-124,154	-41,829	-211,682	-5,457,707	-214,695		**-6,050,067**
Merger Contributions				7,117,689			**7,117,689**
Closing Balance	**16,610,801**	**1,401,500**	**5,668,253**	**16,225,312**	**775,736**	**2,744,031**	**43,425,633**

The balance of provisions for risks and charges is € 43,426 thousand, with an increase of € 7,203 thousand with respect to the previous year.
This effect is mainly linked to the aggregation process highlighted in the introduction to this Note.

The closing balance mainly includes:

- The provision for post-closure landfill management is € 23,681 thousand: this represents the amount allocated to handle costs that must be incurred to manage the closure and post-closure period of landfills currently managed. Future outlays, determined for each landfill based on a specific appraisal provided by an independent third-party expert, were discounted in line with the provisions of IAS 37. Increases in the provision include the financial components obtained through the discounting

procedure and allocations required after changes in the hypotheses for future outlays, following revision of appraisals both for landfills currently in use and those which are already full. Uses represent effective outlays during the year.
With reference to Case Sartori, a provision for post-closure management was not established in line with the EFP prepared at the time of the tender bid, which led to the awarding of the environmental management service to the Toscana Centro OTA. In fact, in the plan costs incurred for post-closure management of the landfill are covered in accordance with the MTR.

- Provisions for other risks total € 16,225 thousand. This item is recognised against future and possible risks associated with pending disputes; the provision in question also includes allocations of around € 3.1 million linked to administrative penalties for the proceedings RG 1987/2016. For more information, please see the section "Main current litigation". Additionally, € 5,201 thousand has been allocated for employee performance bonuses.
- The provision for restoration and replacement totals € 776 thousand. This item is recognised against future and possible cyclical extraordinary maintenance on plants.
- The plant dismantling provision comes to € 2,744 thousand. This item is recognised based on the estimate of dismantling and removal costs and the costs for environmental reclamation at the end of the life cycle of the anaerobic digestion system located at Polo di Casa Sartori, currently being constructed. The estimated metric amount, prepared by an independent third-party expert, was discounted in line with the provisions of IAS 16.

Additionally, the potential impacts on the provisions for post-closure landfill management in the case of a hypothetical 50 basis point decrease in discount rates would be +€ 817 thousand. On the other hand, the potential impacts on the provisions for post-closure landfill management in the case of a hypothetical 50 basis point increase in interest rates would be -€ 1,791 thousand.
Finally, the potential impact on the provisions for post-closure landfill management in the case of a hypothetical 5% increase in expected future outlays would be € 1,184 thousand.

8.20. Employee severance indemnity [TFR] and other benefits

The payable due to employees at 31 December 2023 for severance indemnities is detailed in the schedule below:

Amount at 31/12/2022	**11,900,416**
Interest Cost	401,152
Uses	-1,730,183
Transfer, other social security entities	-29,509
Transfers in/out	31,364
Actuarial (gains)/losses	279,624
Amount at 31/12/2023	**10,852,862**

The item, equal to € 10,853 thousand, includes the actuarial measurement of provisioning in favour of employees for the severance indemnity and other contractual benefits, net of advances granted and deposits made to other social security entities in line with current law. The calculation is done utilising actuarial techniques and discounting future liabilities as of the reporting date. These liabilities consist of the amount the employees will have accrued as of the date they will presumably leave the company.

The following table provides the main assumptions used in the actuarial estimate of employee benefits:

Description	% rate used for financial year 2023	% rate used for financial year 2022
Inflation rate	2.00%	2.30%
Annual discount rate	3.08%	3.63%
Annual overall wage increase rate	3.000%	3.225%
Annual rate of employee departure for reasons other than death	1.00%	1.00%

The OCI section outlines the actuarial component relative to the TFR and the relative deferred tax.

The following table shows the effects in absolute terms at 31/12/2023 that would occur following reasonably possible changes in the actuarial hypotheses:

turnover rate +1%	10,874,152
turnover rate -1%	10,829,935
inflation rate + 0.25%	10,956,154
inflation rate - 0.25%	10,750,993
discount rate + 0.25%	10,692,967
discount rate - 0.25%	11,017,174

With respect to the discount rate, note that for this parameter the company utilised the iBoxx Corporate AA, with a 7-10 year duration.

8.21. Non-current financial liabilities

A breakdown is provided in the following schedule:

Description	Balance at 31 December 2023			Balance at 31 December 2022			
	Current	Non-current	Total	Current	Non-current	Total	Changes
Bonds	7,069,966	89,631,107	96,701,073	111	94,461,912	94,462,023	2,239,050
Capex financing line	980,594	110,676,622	111,657,216	192,609	45,857,698	46,050,307	65,606,909
Payables to credit institutions	31,686,862	287,079	31,973,941	12,995,245	3,968,818	16,964,063	15,009,878
Total financial liabilities	**39,737,423**	**200,594,807**	**240,332,230**	**13,187,742**	**144,288,428**	**157,476,169**	**82,856,060**

Amounts in euros	31/12/2022	Loans obtained	Repayments	Reclassifications	Other changes	31/12/2023
Non-current financial liabilities	144,288,428	70,000,000	-	-14,084,000	390,380	200,594,808
Current financial liabilities						
Bank overdrafts (short-term financial liabilities)	9,950,000	52,450,000	-39,900,000			22,500,000
Current portion of non-current debt	3,237,742	-	-2,841,000	14,084,000	2,756,681	17,237,423
Total current financial liabilities	**13,187,742**	**52,450,000**	**-42,741,000**	**14,084,000**	**2,756,681**	**39,737,423**
Total financial liabilities due to credit institutions	**157,476,170**	**122,450,000**	**-42,741,000**	**-**	**3,147,061**	**240,332,231**

Due to banks: the balance includes the medium/long-term portion of amounts due to banks (€ 200,595 thousand).

Below is information on the main existing financial liabilities.

Bonds: The Company has two bonds with a total residual value of € 95,000,100. Both are listed on Euronext Dublin (formerly the Irish Stock Exchange).

The first of these was issued on 9 March 2017 for a nominal amount of € 50,000,000, the residual value at 31/12/2023 is € 5,000,100. The original duration was seven years at an effective interest rate of 2.7%. Repayment began in 2021. As of the reporting date the value of the units repaid by the company is € 44,999,900, of which € 29,999,900 relative to the partial repurchase carried out on 22 April 2022.

On 29/02/2024, after the Bondholders' Meeting, the bond's maturity date was extended to 9 September 2025. The interest rate payable to the bondholder for the period from 09/03/2024 to 09/09/2025 increased from 2.7% to 5.6%.

The second of the two bonds was issued on 23 February 2022 for a nominal amount of € 90,000,000 (senior unsecured and unrated non-convertible) with a duration of 6 years and a variable interest rate equal to the Euribor 6 months plus a spread of 2.60% ("2022 Bond"). The interest coupon date is half-yearly and repayment will occur in a single payment at maturity (23 February 2028).

Capex Line: On 22 April 2022 the Company obtained a definitive capex line of credit from a pool banks for € 135,000,000, with a biennial availability period. It has a 5 year duration with a variable interest rate equal to the Euribor 6M plus a 2.40% spread. Repayment of the loan begins in May 2024 with reference to 20% of drawdowns made. The remaining 80% will be repaid in a single payment at maturity (22 April 2027). On 29 April 2022, the company carried out the first drawdown in the amount of € 46,389,223.

At 31 December 2023, total drawdowns came to € 116,389,223. During 2023, a total of 4 tranches were requested and disbursed for € 70,000,000.

Cash and cash equivalents deriving from the issue of loans/bonds and the signing of the capex line are mainly intended to finance investments planned, with the aim of transforming the service in the context of the twenty-year concession.

Contractual conditions for certain bank loans and bonds include, in line with the relevant market, conditions that entitle counterparties (whether banks or bondholders) to request immediate repayment of the amounts loaned from the debtor, should specific events arise. Please see the section in the Notes, "Default risk and covenants".

8.22. Non-current trade payables

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Trade payables, non-current	4,233,333	3,400,000	833,333
TOTAL	**4,233,333**	**3,400,000**	**833,333**

This item refers to the payables due to third party suppliers by the company for instalments relative to the acquisition of the Montignoso landfill in 2018.

8.23. Other non-current liabilities

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Payables to Publiservizi SpA	-	1,080,000	-1,080,000

Provincial Tax	1,385,134	501,171	883,963
Other payables	133,600	-	133,600
Guarantee deposits	1,500	1,500	-
Deferred income, non-current	2,364,902	2,444,852	-79,950
TOTAL	**3,885,136**	**4,027,523**	**-142,387**

The payable for provincial tax represents the amount to pay for the said tax on TIA bills collected during the year. Deferred income refers to portions of contributions for plants received and relative to future years. The breakdown of amounts relative to years later than 2023 can be found in the following table:

	1 TO 5 YEARS	OVER 5 YEARS
TOTAL	451,657	1,913,245

8.24. Current financial liabilities

Description	Balance at 31 12 2023	Balance at 31 12 2022	Changes
Bonds	5,000,100		5,000,100
Bond Interest Accrual	2,069,866	-111	2,069,978
Capex Line Accrual	6,380,594	192,609	6,187,985
Current Payables to Banks	26,286,862	12,995,245	13,291,621
TOTAL	**39,737,423**	**13,187,742**	**26,549,684**

8.25. Trade payables

Below is the total and breakdown of trade payables:

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Payables to suppliers	117,358,522	92,165,506	25,193,016
Payables to subsidiaries	14,955,404	10,696,288	4,259,116
Payables to associates	758,246	1,927,919	-1,169,673
Payables to companies subject to parent company control	27,125	30,239	-3,114
TOTAL	**133,099,296**	**104,819,952**	**28,279,344**

The balance of € 133,099 thousand mainly includes trade payables due to third party suppliers of € 117,359 thousand.

8.26. Other current liabilities

Description	Balance at 31 December 2023	Balance at 31 December 2022	Changes
VAT advance	1,284,184	132,662	1,151,521
Other payables	138,683,709	2,214,664	136,478,160
Accrued expenses	340,171	1,123,544	-783,373
Deferred income	127,198	619,066	-491,868
Deferred customer VAT	776	776	-
Tax withholdings advance	130,444	48,540	81,905
Employee IRPEF advance	2,282,115	2,087,278	194,837
Payables to social security institutions	5,008,239	3,905,408	1,102,831
Payables to Municipality of Florence	5,084	4,588	-
TOTAL	**147,861,920**	**16,617,212**	**131,244,708**

The item "Other payables" includes the payable recognised with reference to the option granted to Italgas for € 125,981 thousand. Please see the section "Equity investments" for more details.

9. OTHER INFORMATION

Fees to the independent auditing firm and auditors
For fees paid to the independent auditing firm PricewaterhouseCoopers S.p.A and members of its network, including "other services" provided to Alia Servizi Ambientali and its subsidiaries, please see the Notes to the consolidated financial statements.

Fees paid to Statutory Auditors totalled € 65,559.

Transactions with related parties

The urban waste service managed by Alia SpA in the relevant territory is carried out on the basis of agreements signed with local authorities and includes the exclusive management of collection, transport and sweeping services, as well as street washing, waste recovery and disposal, etc. The agreements signed with local authorities govern the economic aspects of the contractual relationship, as well as the methods for organising and managing the service and the quantitative and qualitative levels of the services provided. The fee due to the manager for the services provided, including disposal/processing/recovery of urban waste, is defined annually on the basis of the national tariff method established under ARERA resolution 443/19 MTR. The 2023 fees approved by the local authorities were invoiced to the individual Municipalities or citizens, when the specific tariff fee is applied.
"Related parties" are those indicated under the international accounting standard with reference to financial statement disclosures on related party transactions (IAS 24 revised).
Related party transactions occurred at normal market prices. The main transactions are shown below.

Economic transactions

Related party/FS item	Revenue	Other Operating Revenue	Financial income	Costs for Services	Personnel Costs	Other Operating Expenses
Municipalities Shareholders Related Parties:	**177,027**	**1**	**-**	**816**	**-**	**929**
MUNICIPALITY OF FLORENCE	95,833	1	-	6	-	564
MUNICIPALITY OF PRATO	39,356	0	-	429	-	243
MUNICIPALITY OF PISTOIA	21,128	-	-	191	-	28
MUNICIPALITY OF EMPOLI	1	-	-	0	-	37
MUNICIPALITY OF SCANDICCI	9,788	-	-	0	-	4
MUNICIPALITY OF SESTO FIORENTINO	10,921	-	-	191	-	53

Related party/FS item	Revenue	Other Operating Revenue	Financial income	Costs for Services	Personnel Costs	Other Operating Expenses
Subsidiaries:	**18,003**	**1,402**	**113**	**23,555**	**150**	**15**
Ambiente Toscana OpCo SpA	7	104	2	271	12	
Programma Ambiente Apuane SpA	-	198	13			
Revet SpA	17,987	210	-	21,938	5	15
AER - Ambiente Energia Risorse SpA						
Bisenzio Ambiente Srl	-	0	32	144		
Cavriglia SPV SpA	-	-	-	-	-	-
Centria Srl	-	-	-	-	1	-
Ecocentro Toscana S.r.l	-	-	-	619	-	-
Ecolat Srl	-	-	-	-	-	-
Ecos Srl	8	-	-	51	-	-
Edma Reti Gas Srl	-	-	-	-	-	-
Estra Energie Srl	-	9		122	95	
Estra Spa	-	881	66	365	37	
Estraclima Srl	-	-	-	-	-	-
Estracom Spa	-	-	-	44	-	-
Gas Marca Srl	-	-	-	-	-	-
Gergas Spa	-	-	-	-	-	-
Idrogenera Srl	-	-	-	-	-	-
Murgia Reti Gas Srl	-	-	-	-	-	-
Piceno Gas Vendita Srl	-	-	-	-	-	-

Prometeo Spa	-	-	-	-	-	-
Tegolaia SPV SpA	-	-	-	-	-	-

Related party/FS item	Revenue	Other Operating Revenue	Financial income	Costs for Services	Personnel Costs	Other Operating Expenses
Associated and Jointly Controlled Companies:	**8,702**	**100**	**-**	**3,350**	**7**	**3**
TOSCANA ENERGIA SPA	7	-	-	-	-	-
PUBLIACQUA SPA	322	55	-	885		2
ACQUE2O SPA	-	-	-	-	-	-
IRMEL SRL	-	-	-	4	-	-
REAL SRL	8,323	12	-	2,191	7	-
VALDISIEVE SCRL	-	-	-	-	-	-
ACQUE SPA	48	3	-	237	-	1
AL.BE SRL	-	30	-	-	-	-
SEA RISORSE SPA	-	-	-	-	-	-
VETRO REVET SRL	2	-	-	-	-	-
NUOVA SIRIO SRL	-	-	-	-	-	-
BLUGAS INFRASTRUTTURE SRL	-	-	-	-	-	-
SIG SPA	-	-	-	-	-	-
AES FANO DISTRIBUZIONE GAS SRL	-	-	-	-	-	-
SEI TOSCANA SRL	-	-	-	33	-	-
IMMOGAS SRL	-	-	-	-	-	-

Asset transactions

Related party/FS item	Trade receivables	Non-Current Trade Receivables	Other current assets	Non-current financial assets	Non-current financial assets	Other current liabilities
Municipalities Shareholders Related Parties:	**55,403**	**0**	**54**	**2**	**-**	**3,644**
MUNICIPALITY OF FLORENCE	26,478	-	-	-	-	1,012
MUNICIPALITY OF PRATO	9,704	-	2	-	-	907
MUNICIPALITY OF PISTOIA	14,500	-	-	1	-	288
MUNICIPALITY OF EMPOLI	50	-	52	-	-	93
MUNICIPALITY OF SCANDICCI	2,232	-	-	-	-	1,054
MUNICIPALITY OF SESTO FIORENTINO	2,438	-	-	1	-	290

Related party/FS item	Trade receivables	Non-Current Trade Receivables	Other current assets	Current financial assets	Non-current financial assets	Trade payables
Subsidiaries:	**10,849**	**0**	**21**	**1,417**	**6,542**	**15,042**
Ambiente Toscana OpCo SpA	12	-	-	-	120	35
Programma Ambiente Apuane SpA	1,042	-	-	-	1,840	289
Revet SpA	9,213	-	0	1,250	3,749	12,674
AER - Ambiente energia Risorse SpA	261	-	-	-	-	12
Bisenzio Ambiente Srl	- 1	-	-	167	833	144
Centria Srl	-	-	-	-	-	1
Ecocentro Toscana S.r.l	-	-	-	-	-	619
Ecos Srl	8	-	-	-	-	68
Estra Energie Srl	9	-	21	-	0	128

Estra Spa	305	-	-	-	-	1,021
Estraclima Srl	-	-	-	-	-	5
Estracom Spa	-	-	-	-	-	46

Related party/FS item	Trade receivables	Non-Current Trade Receivables	Other current assets	Current financial assets	Non-current financial assets	Trade payables
Associated and Jointly Controlled Companies:	**2,881**	**63**	**4,169**	**0**	**66**	**765**
TOSCANA ENERGIA SPA	4	-	2,703	-	-	
PUBLIACQUA SPA	74	-	-	-	52	80
ACQUE2O SPA	-	-	-	-	-	-
IRMEL SRL	-	-	-	-	-	4
REAL SRL	2,764	-	501	-	-	582
VALDISIEVE SCRL	-	-	-	-	-	-
ACQUE SPA	13	63	965	-	4	94
AL.BE SRL	25	-	-	-	-	-
VETRO REVET SRL	1	-	-	-	-	-
SEI TOSCANA SRL	-	-	-	-	10	5

Disclosure on operating sectors – IFRS 8

The company works in the environmental hygiene and urban waste collection, brushing and disposal sector. For this reason the figures above indicate the equity and economic figures for the sole operating sector.

Fair value hierarchy

In relation to financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires that these amounts be classified on the basis of a hierarchy which reflects the significance of the inputs used to determine the fair value.

The following levels are identified:

- Level 1 - prices listed on an active market for the asset or liability being measured;
- Level 2 - input other than the prices listed above, directly observable (prices) or indirectly observable (derived from prices) on the market;
- Level 3 - input not based on observable market data. The "assets measured at fair value" in the above table fall within the level in question.

Breakdown of financial instruments by measurement category applied

Below is a reconciliation between classes of financial assets and liabilities as identified in the statement of financial position and the type of financial assets or liabilities identified in line with the requirements established in IFRS 7, adopted in these financial statements.

Note that at 31 December 2023 there are no financial instruments measured at fair value, with the exception of other equity investments. Trade receivables and payables are measured at the carrying amount, held to approximate their fair value.

Guarantees and undertakings

Below are bank guarantees:

Bank	Guarantee Type	Nominal guarantee amount (amounts in thousands of euros)
Intesa San Paolo S.p.A.	Guarantee in favour of the Municipality of Montespertoli for mitigation and restoration work, Casa Sartori landfill	150
Intesa San Paolo S.p.A.	Autonomous first call guarantee in favour of Intesa San Paolo S.p.A. and Unicredit S.p.A. for Publiacqua S.p.A. (M/L-term loan)	30,000
Unicredit S.p.A.	Autonomous first call guarantee in favour of Intesa San Paolo S.p.A. and Unicredit S.p.A. for Publiacqua S.p.A. (M/L-term loan)	30,000

Objectives and criteria for financial risk management

Note that the section on risks refers to the Group.

The Group's main financial liabilities, other than derivatives, include bank loans and funding, bond loans, trade payables, various payables and financial guarantees. The main objective of these liabilities is to fund the Group's operating activities. The Group has trade receivables and other commercial and non-commercial receivables, cash and cash equivalents and short-term deposits, originating directly from operating activities. The Group also signs derivative contracts.
The Group is exposed to market risk, credit risk and liquidity risk. The Group's Management is assigned the management of these risks. The Group has also initiated the process to define an integrated risk management model, based on internationally recognised standards in the context of Enterprise Risk Management (ERM), developed according to the reference model generally accepted at international level in the area of internal audit, issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as the CoSO Report).
This ERM Model also aims to support Management so that activities involving financial risk are governed by appropriate company policies and adequate procedures, and that financial risks are identified, measured and managed in accordance with the Group's policies and procedures.

- ### Interest rate risk

Interest rate risk is the risk that fair value or future cash flows for a financial instrument will alter due to changes in the market interest rates. The Group's exposure to changes in market interest rates is related firstly to long-term debt with variable interest rates.
The Group manages its interest rate risk based on a balanced portfolio of loans and funding at fixed and variable interest rates by subscribing to interest rate swaps (IRS), where at defined intervals, the Group agrees to swap the difference on the amount between the fixed and variable rate, calculated with reference to an agreed notional capital amount. These swaps are designated to hedge the underlying debt.

At 31 December 2023, after evaluating the effects of IRS, around 37% (72% in 2021) of the Group's loans were at a fixed rate. In particular, the loans with a longer duration are fixed rate (bond and net metering service users issued in 2022).

The table below shows the sensitivity to a reasonably possible change in interest rates carried out to the following procedures:

- an upward or downward change of 50 basis points in the Euribor interest rates recorded during the period was applied to the medium/ long term financial debt;
- in the case of a hedging relationship, the shock on rates was jointly applied to the debt position and the relevant hedging derivative instrument, with a very limited effect on the income statement;
- with regard to the hedging derivative contracts existing at the reporting date, an upward and downward shift of 100 basis points was applied to the forward curves of the interest rates used to determine fair value on the contracts.

• Credit Risk

Credit risk is the risk that a counterparty will not fulfil its obligations associated with a financial instrument or commercial contract, thereby resulting in a financial loss. The Group is exposed to credit risk deriving from its operating activities (particularly, trade receivables deriving from the sale of gas and electricity) and its financial assets, including deposits held at banks and financial institutions.

Trade receivables

The risk for trade receivables is managed on the basis of policies set by the Group and according to the procedures and controls for credit risk management.
Over time the Group has improved its control over credit risk by strengthening its monitoring and reporting procedures, in order to implement countermeasures to be adopted for causes identified as soon as possible. To control credit risk, with regard to the portfolio existing at the reporting date, which is deemed to be the maximum exposure for the Group, methodologies have been defined to monitor and manage receivables as well as defining strategies to limit credit exposure, such as customer credit checks at the time of acquisition through credit rating analysis to limit insolvency risk, the assignment of receivables of terminated customers to external credit collection services and the management of legal action on receivables associated with services provided, recourse to insurance cover and obtaining guarantees from customers.

An analysis is done at each reporting date, as to whether write-downs are required in respect of the more significant customers. Furthermore, for most of the minor credits, grouped into similar categories, an evaluation is also done as to whether to reduce the total value. The calculation is based on historic data. The maximum exposure to credit risk at the reporting date is the carrying amount for each financial asset class shown in the note Trade receivables.

Additional information can be found in the section "Provisions for risks and write-downs" under significant accounting estimates.

Financial instruments and bank deposits

Credit risk relative to relations with banks and financial institutions is carefully monitored. The investment of available funds is only undertaken with approved counterparties and within defined limits so as to minimise the concentration of risk, and consequently mitigate any financial loss generated by the counterparty's potential bankruptcy. The Group's maximum exposure to credit risk in respect of the items in the balance sheet at 31 December 2023 are the carrying amounts shown in the Note Financial instruments and measurement at fair value, with the exception of financial guarantees.

• Liquidity Risk

The Group monitors the risk of a shortfall in liquidity by using a cash planning tool.
The Group's objective is to maintain a balance between continuity in the availability of funds and flexibility in use, by adopting financial instruments such as bank overdrafts, bank loans, bonds, financial leases and rental and purchasing contracts.
The current and forecast financial situation is constantly monitored, as is the availability of adequate credit. The accounts held by the Group with the main Italian and International Banks make it possible to identify the most suitable types of loans and the best market conditions.

The table below shows an analysis of due dates based on the non-discounted refund obligations in terms of contracts as they relate to bond loans, medium/long-term bank loans, leases and medium/long-term loans to shareholders as at 31 December 2023.

(amounts in euros)	Total cash flow	CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y	CF > 5 Y
Bond loans	95,000,100	-	5,000,100	90,000,000	-
Bank loans	120,448,431	6,761,886	11,101,904	102,584,640	-
Leases	1,854,341	629,266	329,512	598,670	296,892
Total	**217,302,872**	**7,391,152**	**16,431,516**	**193,183,311**	**296,892**

The Group ended 2023 with a strong liquidity position.
The Group mainly seeks recourse to short-term bank advances to meet the possible financial requirements generated by net commercial working capital, in particular for companies operating in the sale of natural gas and electricity, which also due to their seasonal nature, which generally record physiological growth in the first half of the year due to the misalignment in the time frame between collections from customers and payments to suppliers.
In a situation in which a temporary decrease in liquidity occurs due to a longer period of time in collecting fees from customers/users, management will activate available levers to protect the Company's financial structure and its commitments (including compliance with financial parameters envisaged in existing loan contracts), including adjusting non-strategic investments.

- **Default risk and covenants**

The Group has bank loans and bond loans in place, where according to the type of instrument in line with the market, contract conditions entitle counterparties (whether banks or bondholders) to request the immediate repayment of the amounts loaned from the debtor, should specific events arise.
These contract conditions usually envisage, in favour of bondholders/credit institutions, that control may not be changed and financial parameters must be respected, such as the net financial debt/EBITDA ratio, net financial debt/equity ratio and EBITDA/financial expense ratio.
The composition of net financial debt at 31 December 2023 and 2022 is shown below, in line with the Guidelines on disclosure obligations pursuant to Regulation EU 2017/1129 ("Prospectus Regulation"), published on 4 March 2021 by the European Securities and Market Authority (ESMA):

NET FINANCIAL DEBT

Amounts in €

Euro	31/12/2023	31/12/2022	Changes
A. Cash and cash equivalents	30,781,409	17,645,618	13,135,791
B. Cash equivalents	-	-	-
C. Other current financial assets	5,882,775	-	-
D. Cash and cash equivalents (A + B + C)	**36,664,184**	**17,645,618**	**19,018,566**
E. Current financial debt	22,500,000	9,950,000	12,550,000
F. Current portion of non-current financial debt	17,881,409	4,760,322	13,121,087
G. Current financial debt (E + F)	**40,381,409**	**14,710,322**	**25,671,087**
H. Net current financial debt (G - D)	**3,717,225**	**(2,935,296)**	**6,652,521**
I. Non-current financial debt	112,174,056	55,693,784	56,480,272
J . Debt instruments	89,631,107	94,461,912	(4,830,805)
K. Trade payables and other non-current payables	4,233,333	4,480,000	(246,667)
L. Non-current financial debt (I + J + K)	**206,038,496**	**154,635,696**	**51,402,800**
M. Total financial debt (H + L)	**209,755,721**	**151,700,400**	**58,055,321**

It should be noted that the company has bank loans and bond loans in place, where according to the type of instrument in line with the market, contract conditions entitle counterparties (whether banks or bondholders) to request the immediate repayment of the amounts loaned from the debtor, should specific events arise.

In particular, the settlement of bond loans requires:

- commitments made by the Group, including in particular, a negative pledge, whereby the Group undertakes not to create, or allow the creation, whether partial or total, of any constraints on its present or future assets or revenue;
- non-performance in line with market practice for similar types of transactions. With specific reference to the latter, it should be noted, by way of example, *inter alia*:
  a) non-performance of the obligations arising from convictions, on condition that predetermined relevance threshold are exceeded;
  b) disposal and/or company restructuring operations (including, cases of winding-down and liquidation and the termination, be it total or a substantial portion of its business) not falling within the scope of those defined as permitted, as well as the winding down or liquidation of the Group or its subsidiaries defined as being relevant;
  c) change in the control structure, in respect of which, following the notice for bondholders to exercise the put option, the Group must fully (and not partly) reimburse whatever forms the subject of the put option at the bonds' nominal value, plus the interest accrued from the previous interest payment date.

The bond loan regulations also require the Group to comply with specific capital-financial indices for the entire duration of the loan. Failure to comply with these parameters could result in the execution of the acceleration clause and an earlier repayment obligation arising for the debtor.

The financial parameters relating to these regulations are summarised below:

- the ratio between net financial debt and EBITDA (less than or equal to 4.5x), as revised following a change in the contract signed on 4 August 2023.
- the ratio between EBITDA and financial expense (greater than or equal to 3.5x), as revised following a change in the contract signed on 4 August 2023;
- the ratio between net financial debt and shareholders' equity (less than or equal to 1.2x).

Furthermore, these bond loans contain cross default clauses for the Group or its subsidiaries in the event of defaults for amounts higher than the thresholds set for each regulation.

Additionally, in line with market practises for similar transactions, bond loans require the Group to observe a series of negative covenants, i.e. limits on the option of carrying out certain transactions, such as termination of a significant part of its business.

Furthermore, the existing bank loans impose, inter alia, specific obligations (in certain cases, also referring to companies in the Group), in terms of which the Group undertakes:

- not to use the amounts received on the basis of the loan contracts for other purposes than those agreed on;
- not to substantially change the core business;
- not to carry out extraordinary transactions or the disposal of assets other than those expressly permitted (without prejudice, where applicable, with the prior written consent of the relevant lender bank);
- not create, or allow for the creation of constraints or encumbrances on its assets, other than the constraints and encumbrances expressly permitted (negative guarantee); and
- to keep in place all authorisations, permits and administrative licences required or appropriate to allow the Group to conduct its core business;
- not to give rise to changes in the control structure.

In addition, certain loan contracts entered into by the Group also specify that for the entire duration of the loan, the Group must respect predetermined capital-financial indices (similar to those for the Bond Loan Regulations above), with compliance checked on an annual basis (or with reference to the reporting date of each period based on the results of the relative consolidated financial statements or financial statements of the Group contracting company). Failure to comply with these parameters could result in the execution of the acceleration clause and an earlier repayment obligation arising for the debtor.

The existing loan contracts also specify a series of default events (in certain cases, also referring to companies that are part of the Group), including:

- insolvent status or being subject to insolvency procedures (or similar procedures);
- cross-default clauses (and in some cases, cross-acceleration) for amounts higher than predetermined materiality thresholds;
- the implementation of extraordinary transactions on its share capital without prior written consent from the related lender bank;
- the occurrence of events that determine a serious stability crisis and/or liquidity in financial markets that make the funding excessively onerous for the relative lender bank; and
- non-compliance with any of the Group's obligations (including, the infringement of any one of the financial parameters set in the relevant loan contract), unless this non-compliance can be remedied, and this is not done within the deadline granted.

In 2023, there were no violations of the covenants associated with loans and bonds, with the exception of non-compliance with certain parameters for a bank loan with a residual amount of € 3,000 thousand at 31.12.2023, which would require early repayment, without any implications for the Group's remaining debt. In line with IAS 1, the loan, although originally maturing 2025, was reclassified under current financial liabilities. A waiver was obtained from the lending bank after the reporting date.

• Risks associated with commodity prices

The Group is exposed to commodity price risk, so it has to manage risks associated with the misalignment between the indexing formulae related to the purchase of raw materials (natural gas and electricity) and the indexing formulae related to the sale of the same commodities.

The risk relates to both trading activity in a strict sense (spot transactions aimed at achieving additional short-term profits) and "industrial" activity of delivering gas and electricity to final customers.

With reference to trading, the activity is opportunely segregated but is performed within rigorous risk policies that provide for, among other things, observance of limits in terms of Risk Margin and VAR, set by the company's Board of Directors and monitored constantly.

With reference to "industrial" activity, Group policy is designed to minimise the risk associated with fluctuating prices by aligning the indexing of commodity purchases with commodity sales, the vertical exploitation of the various business chains and recourse to financial markets for hedging purposes. In particular, the Group has structured a series of commodity derivatives aimed at pre-setting the effects on sales margins irrespective of the changes in market conditions. All transactions in derivatives are concluded for the purpose of hedging, even if they do not formally come within the criteria defined by the standard IFRS 9 for hedge accounting.

The Group has adopted a specific policy aimed at defining the guidelines of the Estra Group related to governance, the management strategy and the control of risks associated with activities in commodities performed by the Group Companies and, more particularly, the subject of the policy is price risk.

The objective is to stabilise the cash flows generated by the Group's portfolio of assets and contracts, protecting the Group's gross operating margin from fluctuations due to price risk on the commodities traded and to qualify the Group's financial performance with a view to mitigating the risk, through the definition and continuous monitoring of the risk limits.

The Group's policy is oriented to minimising recourse to the financial markets for hedging through making good use of the netting logics included in the Portfolio of reference. To this end, the Group plans as a priority the physical balancing of volumes of its sales of energy commodities on the markets for the various time deadlines, through the portfolio of existing contracts, both medium-term (with reference to the thermal year of the following period) and spot. Secondly, the Group pursues a strategy of making sources and physical uses uniform, so that the formulae and indexing with which the costs deriving from energy commodity purchases are associated reflect as far as possible the formulae and indexing of the Group's revenue, making use to this end also of derivative instruments.

For the purposes of managing and controlling Price Risks, the Estra Group makes use of the consolidated parameters in the international best practice. In particular, the Contribution Margin of the industrial portfolio is subject to monitoring; this includes both Profit & Loss (*realised P&L*) accrued at the date and the future Mark to Market (MtM). The realised P&L corresponds to the portion of P&L already accrued in the relevant accounting year, calculated on the basis of the final value of all the market prices that have determined costs and revenue. The Mark to Market (or *unrealised P&L*) corresponds to the portion of future P&L not yet accrued in the relevant accounting year, measured at fair value on the basis of the forward curve for quoted prices and on forecast curves for non-quoted prices.

Exposure to price risk of the contract portfolio is measured, for each index, as a change in Mark to Market, that is of the Contribution Margin, determined by a unit change in the price of the commodity in question and is permitted within the pre-set limits established by the company's Board of Directors.

- **Exchange risk**

The Alia Group is not exposed to exchange risk as the Group's operations fall solely within Italy.

- **Equity risk**

The Company's goals for capital management are:

- protect the business as a going concern, so as to continue to provide returns to shareholders and benefits to other stakeholders;
- maintain an optimal equity structure to reduce the cost of capital.

To maintain or adjust the equity structure, the Company may, among other things, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt.

- **Operational risk**

This category includes all risks that, in addition to those already indicated above, may have an impact on the achievement of goals, relative to the efficacy and efficiency of company operations, performance levels, profits and the protection of resources against possible losses.
For each operating sector, the risk management process includes analysis of business carried out and identification of the main risk factors associated with the achievement of goals. After these are identified, risks are evaluated in terms of quality/quantity (gravity and likelihood of occurrence), making it possible to identify and select the most significant and consequently establish mitigation plans.
For more information, please see the Management Report.

Main current litigation

Below is information about the main current litigation with a risk of a loss deemed probable:

- INPS/INCA services - ONGOING

A dispute between the former Quadrifoglio and the Italian National Social Security Institute (INPS) for contribution irregularities (INCA dispute) regarding a credit of € 695,000 with secondary liability for Quadrifoglio (now Alia) in its quality as the awarding entity. The case ended with a definitive judgement against Quadrifoglio. Nonetheless, at present INPS has not requested the sums and, therefore, it has been deemed necessary to make a provision each year, prudentially and until the debt expires. Allocation to provision for risks of € 695,000.00.

- INPS, for contract worker salary differences - ONGOING

The third stage of proceedings is under way, following the appeal by INPS of the appeals court judgement 134 of 21.02.2019. The dispute revolves around finding 000432607/DDL of 9/2/2015, in which INPS, following the audit carried out regarding the use of benefits associated with law 223/91 (elimination of social security contributions for 12 months, in the case of a temporary work contract, with 12 months added if the relationship is transformed to a permanent contract as envisaged in the same article 8, paragraph 2, or 18 months if the employment contract signed was originally permanent, pursuant to article 25, paragraph 9, in the case of hiring from the unemployment lists) calculated contributions not paid and additional amounts due by the company totalling € 120,319.00. Alia has filed a counterappeal. The allocation of the provision for risks of € 120,319.00 was confirmed.

- VAT on TIA - ONGOING

At the end of 2023, the provision was used in the amount of € 1,271.77, in line with the ruling of the relevant court, which ordered Alia to reimburse a user for court costs as well as the amount of VAT due for the TIA (waste tax). Therefore, the sum of € 14,328.80 was prudentially confirmed for residual cases pending with users for reimbursement of VAT on TIA, in the light of recent case law.

- Leasing fees (former Publiambiente) – CASE RESOLVED WITH A SETTLEMENT AGREEMENT

The subject of the dispute was the payment of leasing fees for a contract for offices in the former Publiambiente premises in Pistoia. While the contract was still in effect, Publiambiente ceased to pay the lease due to uncertainty about who was to be paid the amount (the original lessor or the two financial entities which were subsequently involved in the dispute). The lessor obtained an injunction decree in the amount of € 50,325 for rent from October 2013 to December 2014 invoiced by the same.
The property was released at the end of 2018. Requests for payments were also made for rent arising after the date on which the injunction decree was issued - i.e. after 2014. As the release of the property was not formalised, there was a risk of rent being requested even after 31/12/2018, until the natural expiry of the lease contract. During 2021, negotiations were begun to resolve the dispute out of court, with a possible solution presented to the Alia Board of Directors at its meeting on 23.11.2021.
On 25.10.2022 the Rome Court of Appeals ended the appeals case (gen.reg. no. 7899/2019) rejecting the extinction order issued by the Court of Rome for case gen. reg. no. 30815/2018. In its judgement 7478/2022, the Appeals Court rejected the appeal filed by the lessor and, with respect to costs, ordered the payment of court costs solely for Alia, instead ordering the complainant to pay court costs in favour of the credit institutions.
On 23.05.2023, the lessor notified Alia and the other parties that it had filed an appeal in the Court of Cassation against judgement 7478/2022. While awaiting the decision, the case was resolved with a

settlement signed on 21.07.2023. Based on the agreement, Alia paid a total amount of € 130,282.50 in favour of the other parties (banks and credit institutions).
For prudential purposes, the amount due to the lessor based on the signed settlement was maintained (€ 49,957.82), given that after tax checks performed by Alia with reference to the payment, the company is in breach with reference to ADER (Tax Revenue Collection Agency). Additionally, Alia has received a foreclosure notice relative to third parties with respect to the presumed credit from an employee of the lessor. Hence, at present payment has been suspended, awaiting the order assigning the judge.
In the light of the events above, it is possible to reduce the provision for risks by the amount already paid.

- Breach of contract – ENDED FAVOURABLY

The case begun in 2018 with reference to a user who requested compensation for damages due to a lack of door to door service on a private road was ended with a judgement in favour of Alia on 24.02.2023. Therefore, the provision established can be decreased.

- Compensation of damages for car park – ENDED FAVOURABLY

The case begun in 2018 following the merger of ESSEGIEMME into ASM and the latter into Alia is still in progress. A user of a car park managed by ESSEGIEMME claimed damages with respect to their car parked in the Serraglio car park. The case ended with a judgement issued on 03.03.2023 in which the Judge rejected the claimant's request with payment of court costs. Therefore, the provision can be decreased.

- Compensation for damages for termination of tender contracts - ONGOING

During 2020, a contractor filed a case disputing the termination of all the tender contracts between them and Alia. The provision for this case is € 345,000, equal to the sum requested by the company as compensation for damages.

- Recovery of the amount paid by the former Publiservizi (now Alia) to Consorzio Acque e Depurazione (hereafter simply COAD) - ENDED FAVOURABLY

Relations between the former Publiservizi (hereafter simply PS) and the Consorzio date to the mid-Nineties when the latter provided wholesale water to PS as the manager of the Pollino Aqueduct, which in turn provided it at retail to the Municipalities served by the same Aqueduct.
In 2004, PS paid around € 250K on the basis of an injunction, which was later revoked by the Florence Court of Appeals in 2016. The injunction was revoked as it was based on an illegitimate resolution made by the Consortium, given that the latter violated the rules on increases in water tariffs. Based on this resolution, COAD had allocated the amounts received from PS for another purpose, with respect to that due for the tariff increase. The Court of Appeals judgement was appealed by COAD with the Court of Cassation, while in the meantime PS took action to have the sums it had originally paid to COAD reimbursed. A series of civil disputes resulted, based on which PS established the allocation to the relevant provision for risks. On 18.04.2023 the Court of Cassation filed its ordinance 10321/2023 (favourable for PS), in which the Supreme Court declared that COAD's appeal was inadmissible.
Therefore, following the Court of Cassation's judgement the entirety of the provisions made by PS can be decreased.

- Collection action for government aid for tax years 1995 - 1998, filed by the Revenue Agency - ONGOING

The subject of the dispute (acquired through the former Publiservizi, hereafter PS) is the recovery of government aid for tax years 1995 - 1998.
Currently the appeal filed with the Court of Cassation (gen. reg. no. 19113/2020) filed by the Revenue Agency is pending while awaiting the date for the hearing to be set, filed against the CTR decision 1715/2019 in favour of the company.
Alia has allocated the sum of € 6,434,666.67 from the provision established by the former PS, which will thus remain unchanged.

- Assignment of category and land registry value for the former Corliano landfill (Cerreto Guidi) - ONGOING

In 2020, the Revenue Agency informed Alia of the appeal filed with the Court of Cassation against the decision of the CTR (Regional Tax Commission) of Tuscany, in favour of the company, regarding the dispute with the categorisation and land registry value assigned by the taxation entity to the landfill previously managed by the former Publiambiente (now, Alia). It was held necessary to allocate € 3,960, equal to the amount Alia would be required to pay in the case of a loss.

- Labour disputes:

- Claim of a higher level for an employee of the former AER, now employed by Alia (CASE ENDED WITH A SETTLEMENT): the case was filed in 2019 and ended on 5/7/2023 with the signing of a settlement agreement; the provision established was used in its entirety;
- The allocation of € 100,000 is confirmed again in 2023 for claims presented by service sub-contractor employees, prudentially established, given the joint liability constraint under articles 1676 of the Civil Code and 29 of Italian Legislative Decree 276/2003 between the contractor and sub-contractor. Note that the first level case ended with a judgement in favour of ALIA; nonetheless, on 07.11.2023 the contractor appealed the first level judgement with the Florence Court of Appeals; therefore, as noted, the allocation has remained unchanged.
- Appeal of the dismissal of a worker by an Alia sub-contractor (ONGOING). It is suggested, given the joint liability constraint between the contractor and sub-contractor, that an allocation equal to € 21,250.14 be made.

▪ Incomplete waste identification forms (FIR) (notifications, 2019) – ENDED FAVOURABLY

This refers to three notices of findings regarding administrative crimes involving the transport of non-hazardous waste accompanied by incomplete or imprecise documentation in relation to the location of production or storage of waste, for a total fine of € 26,887. Defence briefs have been filed and the decision of the administrative authority is awaited.

In a communication dated 06.02.2024, the Metropolitan City of Florence dismissed these notices of findings. Therefore, the initial provision was decreased.

▪ Imprecise FIRs (notifications, 2022) – ONGOING

Prior to the formal conclusion of the preliminary investigation of certain company plants begun in 2016 in the context of the criminal proceedings which ended, on 7/11/2023, with the dismissal of the proceedings for all involved, on 23 March 2022 the company was presented with 27 notices of findings regarding administrative crimes relative to various top management positions for breach of article 193, paragraph 1 of TUA (Consolidated Environmental Code): transport of non-hazardous waste with waste identification documentation containing imprecise data for 50 documents; transport of non-hazardous waste without documentation; waste loading and unloading register, including hazardous waste, not maintained in full. The amount of the penalties totals € 3,069,000.00. This amount has been allocated in full to the provision for risks.

In April and June 2022, an additional 27 notices of findings for similar violations of the TUA were received. Hence, the company has received a total of 55 notices, relative to 9 essential types of crime, for a cumulative amount of penalties requested (calculated in the reduced amount) of € 16,003,246.19.

As a jointly liable entity, the Company has appealed each of the 55 notices, both with respect to the merits and procedural issues.

Procedural appeals have been filed which, if granted, could lead to the dismissal of the penalty proceedings or a significant reduction in the penalties applied. In particular, if the cumulative judgement claim is applied, the total amount of penalties would fall to € 268,033.40.

In the light of this, it can be held that the equity risk for the Company did not increase with the notices received in April and June 2022, given that the amount of the penalties is counterbalanced by the following three facts: (i) all the notices have been appealed and, therefore, at present no definitive judgements have been issued; (ii) both the merits and procedural aspects have been contested; (iii) a possible rejection of the appeals at the administrative level could in any case be revised at the trial stage.

During 2023, no update was made with respect to the review request presented by the company and the intended recipients of the 55 total notices of findings relative to presumed violations ascertained during the preliminary investigations.

Therefore, the initial allocation to the provision of € 3,069,000.00 was left unchanged.

▪ Waste to Energy Plant (former Q.tHermo): Denial of Single Authorisation - ONGOING

To install and operate the waste to energy plant, in 2013 Q-tHermo sent the Province of Florence a request for the single authorisation, which required completion of the Environmental Impact Assessment ("EIA") and that to receive the Integrated Environmental Authorisation ("IEA").

Following the appeal of the decisions issued in 2014 and 2015, the Regional Administrative Court of Tuscany, declared the EIA decision was illegitimate and annulled the IEA in its decision 1602/2016.

The Regional Administrative Court of Tuscany's decision was then appealed by Q-tHermo with the Council of State.

The latter, with decision 3109/2018, agreed, if only partially, with the illegitimacy of the IEA decree.

With decision 2165/2020, the Council of State confirmed decision 3109/2018, rejecting the appeal for revocation presented by Q-tHermo.
While the appeal for revocation was pending, Q-tHermo had also asked the Region to re-open the IEA proceedings solely for the annulled portion. After this request was rejected by the Region of Tuscany, Q-tHermo filed an appeal with the Regional Administrative Court (TAR), gen. reg. no. no. 607/2019. On 27/09/2019, Q.tHermo supplemented this with additional justifications, followed by a brief and a response, respectively dated 16/11/2019 and 26/11/2019.
Further justifications were filed on 30/09/2022 against regional decision no. 7444/2022.
Following repeated requests to postpone the decision on the merits relative to the appeal and the subsequent briefs filed, the public hearing has been set for 06/11/2024.

- <u>Waste to Energy Plant (former Q.tHermo): Regional Reclamation Plan amended - ONGOING</u>

In 2019, Q-tHermo filed an appeal with the Regional Administrative Court of Tuscany against the deeds issued by the Region of Tuscany intended to add alternative solutions to the Case Passerini waste to energy plant for sector planning. Q-tHermo filed appeal gen. reg. no. 1292/2019 against these provisions. On 28/09/2022, a brief was filed. The hearing to present the decision, following a request to postpone the same, will be held on 06/11/2024.

- <u>REGISTRATION IN THE SHAREHOLDERS' REGISTER - ENDED</u>
- During 2023, the precautionary case filed by Acque Blu Fiorentine S.p.A. against Alia ended positively and consequently Publiacqua S.p.A. registered Alia in the shareholders' register for the entire stake held, equal to 53.601% of share capital, deriving from the merger by incorporation of Acqua Toscana and Publiservizi.
- During 2023, the precautionary case filed by Alia against Acque S.p.A. ended positively and, consequently, Acque registered Alia in the shareholders' register with reference to the 19.31% stake held in its share capital, acquired through the merger by incorporation of Publiservizi.
- <u>REGISTRATION IN THE SHAREHOLDERS' REGISTER - ONGOING</u>

During 2023, Alia filed a case against Toscana Energia S.p.A, currently in progress, to register its 10.38% stake in the Shareholders' Register, deriving from the merger by incorporation of Publiservizi.

- <u>ACQUISITION OF EQUITY INVESTMENT - ONGOING</u>

This was a dispute in which Alia found itself following the merger by incorporation of Acqua Toscana S.p.A., involving the appeal by Acque Blu Fiorentine S.p.A. of the declaration of the purchase of the shares it held in Publiacqua, equal to 40% of the share capital, exercised by the state shareholders of Publiacqua (including Acqua Toscana). In particular, with the writ of summons received on 23 May 2022 Acque Blu Fiorentine S.p. A. sued the company before the Court of Florence, together with Publiacqua S.p.A. and the other state shareholders of Publiacqua, asking that the illegitimacy of the request to transfer to Acqua Toscana the equity investment held by ABF in Publiacqua be ascertained and declared, ordering the state shareholders to compensate the damages caused to ABF, to be quantified during the course of the case.
At the hearing on 20/03/2024, the Judge rejected the evidential requests made by the parties and, holding the case ripe for a decision, set the hearing for the presentation of the decision for 12/09/2025.
Given that the dispute is fairly complex both in terms of law and actual events, an evaluation of the possible results of the case cannot be made. Nonetheless, the Judge's rejection of the evidential requests filed by Acque Blu Fiorentine S.p.A. and the reasoning provided for this rejection confirm the favourable assessment of Alia's requests, already present in the previous precautionary decisions.

- <u>ACQUISITION OF EQUITY INVESTMENT - ONGOING</u>

This is a dispute in which Alia found itself following the merger by incorporation of Publiservizi, filed by Acque Blu Arno Basso to ascertain the illegitimacy of the purchase option established in the shareholders' agreements and exercised by the state shareholders of Acque (including Publiservizi) to transfer the equity investment held by the same in Acque.
Holding the case ripe for a decision, the Judge has set the hearing to present the decision for 1 July 2024.

- <u>BREACH OF SHAREHOLDERS' AGREEMENT - ONGOING</u>

This is a dispute in which Alia found itself following the merger by incorporation of Publiservizi, filed by the latter together with other local public entities against Italgas S.p.A., due to the breach of shareholders' agreements signed by these parties on 28.06.2018, relative to a commitment to acquire a 3% equity investment in Toscana Energia.
The filing of the decision is awaited.

Note that for the corporate disputes mentioned above no allocations have been made to the provision for risks in consideration of the subject of the disputes and of the assessments made by the relative attorneys with respect to the outcome of the proceedings.

- ACQUISITION OF EQUITY INVESTMENT - ONGOING

This is a dispute in which Alia found itself following the merger by incorporation of Consia S.p.A., relative to Publiservizi S.p.A. and other entities, with the aim of having its equity investment in Acque S.p.A. recognised, equal to 1.03% of share capital.
The first two judgements were not in favour of Consiag, which lodged an appeal with the Court of Cassation against the decision issued by the Florence Court of Appeals.
The parties are formally awaiting the setting of the hearing by the Court of Cassation to issue its decision. Nonetheless, following the merger of Publiservizi and Consiag into the same entity (i.e. Alia), it is held that the requirements to continue with any claim made by Consiag against Publiservizi no longer exist.
The € 45,000.00 allocation made by Consiag to the provision for risks to pay the legal expenses has been maintained.

- SETTLEMENT AGREEMENT - ONGOING

This is a situation in which Alia found itself following the merger by incorporation of Publiservizi. Publiservizi made an allocation of € 40,000.00 which was transferred to the provision for risks of the incorporating company to cover a condition, handled through a settlement agreement between the former Publiservizi and the companies acquiring its equity investment in Bulicata S.r.l., which under certain conditions and through 30 June 2027, establishes the requirement to repurchase the equity investment for the amount of the allocation.

- FATAL ACCIDENT - (ENDED FAVOURABLY)

At the end of 2018, the first level decision in the criminal case was filed, ordering Alia, jointly with the defendants, to pay a total of € 300,000 to the heirs of the victim of the incident which occurred at the collection centre known as Maciste. During the year, despite initial resistance, Generali fully paid this amount, releasing Alia from any civil liability with respect to either the heirs or INAIL. Given that the criminal proceedings are still ongoing, with the three defendants having filed an appeal with the Florence Court of Appeals against the decision 1140/2018 issued for the first level case. The hearing to discuss the appeal was set for 18/05/2023. Following the hearing, all the defendants were fully acquitted. Therefore, the provision has been decreased.

- PUBLIC PROSECUTOR INVESTIGATION OF COMPANY PLANTS - COMPLETED AND DISMISSED

Following the completion of the preliminary investigations in 2022, on 7/11/2023 the criminal proceedings begun in 2016 by the Florence Public Prosecutor were ended with a dismissal decree. The proceedings involved employees and former employees of Alia Servizi Ambientali, some of whom were managers and directors, who were claimed, for various reasons, to have committed certain environmental crimes as part of their positions, particularly with reference to management of the plants.
The proceedings ended, for two of the positions involved, with out of court settlement payments, eliminating the criminal aspects.
Amounts allocated to the provision for risks against these disputes to cover legal expenses have been entirely utilised.

Significant events after the reporting date

No significant events have occurred.

Information pursuant to article 1, paragraph 125 of Law 124 of 4 August 2017

Referring the reader to the information found in the National Register of Government Aid maintained by the Ministry of Economic Development, pursuant to Law 124/2017 note that the company received the following contributions from public entities during the year:

ENTITY	CONTRIBUTION	COLLECTED	AMOUNT COLLECTED
MUNICIPALITY OF PRATO	EUROPEAN REDOL PROJECT	15/06/2023	43,718
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	02/01/2023	9,395
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	31/01/2023	4,944
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	28/02/2023	5,401
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	31/03/2023	8,549
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	02/05/2023	10,735
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	31/05/2023	10,735
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	30/06/2023	8,812
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	31/07/2023	9,962
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	31/08/2023	9,047
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	02/10/2023	10,190
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	31/10/2023	9,411
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	30/11/2023	11,380
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE TARIFF - FTV AGREEMENTS	28/02/2023	5,641
TOSCANA CENTRO OTA	PAP CONTRIBUTION FLORENCE AREA MUNICIPALITIES	10/07/2023	524,827
TOSCANA CENTRO OTA	CDR CONTRIBUTION	06/09/2023	112,041
TOSCANA CENTRO OTA	PAP CONTRIBUTION FLORENCE AREA MUNICIPALITIES	18/09/2023	280,000
TOSCANA CENTRO OTA	CONTRIBUTIONS, MUNICIPALITY OF FISOLE	07/11/2023	75,173
TOSCANA CENTRO OTA	CONTRIBUTIONS MUNICIPALITY OF SIGNA AND GREVE IN CHIANTI	30/11/2023	256,000
TOSCANA CENTRO OTA	CONTRIBUTIONS, MUNICIPALITY OF IMPRUNETA AND SAN CASCIANO	28/12/2023	104,000
TOTAL			1,509,959

Destination of profits for the year

Dear Shareholders, we invite you to approve the annual financial statements for the year ending on 31 December 2023 for your Company and propose, taking into account the results found in the consolidated financial statements at 31 December 2023, that the net profit for the year, equal to € 28,299,132, be allocated as follows:

- 5%, equal to € 1,414,957, to the legal reserve;
- an additional amount of € 20,355,000 distributed as dividends to shareholders, proportional to the stake held in the profits;
- the residual amount of net profits for the year, equal to € 6,529,175, will be for the moment allocated to the reserve and subsequently distributed to shareholders on the condition that the Company's credit institutions (specifically Unicredit and Intesa San Paolo) and its bondholders consent to the removal or derogation of existing contractual constraints with reference to loans, which limit the Company's ability to distribute dividends and reserves in favour of shareholders. To the said amount of € 6,529,175 will be added the additional amount of € 6,115,825, taken from distributable reserves (specifically the Extraordinary Reserve), for a total amount of € 12,645,000, distribution of which will be subject to the same conditions.

Therefore, the shareholders are asked to approve the proposed destination of profits for the year as above (€ 28,299,132) and distribution of reserves (€ 12,645,000) and, hence, dividends totalling € 33,000,000.00, it being understood that the amount of € 12,645,000, as noted above, can only be distributed if and when consent is received from the Company's credit institutions (Unicredit and Intesa San Paolo) and its bondholders to remove or derogate the existing contractual constraints on the loans, which limit the Company's ability to distribute dividends and reserves to shareholders.

Authorisation to publish
This document was approved by the Board of Directors of Alia Servizi Ambientali S.p.A. on 11/04/2024 and published on 06/05/2024, with authorisation from the Chairman and Chief Executive Officer.

For the Board of Directors

The Chairperson
Lorenzo Perra

Chief Executive Officer
Alberto Irace

10. CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Alberto Irace, in his position as Chief Executive Officer and Demetrio Mauro, in his position as the Financial Reporting Manager for Alia Servizi Ambientali S.p.A., declare, taking into account that established in article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
    - its adequacy in relation to the company's characteristics (also taking into account any changes occurring during the year) and
    - the effective application of the administrative and accounting procedures when preparing the annual financial statements as at 31 December 2023.
2. To that end no issues have arisen.
3. They also declare that the annual financial statements:
    a) were prepared in compliance with the applicable international accounting standards recognised by the European Community in line with Regulation (EC) 1606/2002 of the European Parliament of 19 July 2002;
    b) correspond to the results found in the company's records and accounting entries;
    c) are able to provide a true and accurate representation of the issuer's equity, economic and financial situation, as well as a description of the main risks and uncertainties to which it is exposed.

Florence, 11 April 2024

Chief Executive Officer	Financial Reporting Manager
(Signed)	(Signed)

INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

ALIA SERVIZI AMBIENTALI SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alia Servizi Ambientali SpA (the Company), which comprise the statement of financial position as of 31 December 2023, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

PricewaterhouseCoopers SpA

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Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Provisions for post-closure landfill management *Explanatory Notes to the financial statements as of 31 December 2023: note 8.19 "Provisions for risks and charges"* The provisions for post-closure management of company-owned landfills recognised within the liabilities of the statement of financial position of the separate financial statements at 31 December 2023 amounted to Euro 23.7 million, which represented 4% of the Company's liabilities. Such amount was determined by the directors on the basis of the applicable accounting standards, in particular in accordance with "*IAS 37 - Provisions, contingent liabilities and contingent assets*" adopted by the European Union and with the current provisions of law (Legislative Decree 36/2003) supported by external independent professionals for estimating the expected cash flows related to such provision. Given the significance of the amounts under analysis and the use of estimates made by management to verify the compliance with the requirements under "*IAS 37 - Provisions, contingent liabilities and contingent assets*" adopted by the European Union, we paid special attention to reviewing the liabilities at issue.	We carried out an understanding and evaluation of the procedure adopted by the Company for the determination of the accruals to the provisions for post-closure landfill management. We verified that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003. Moreover, we obtained and analysed, through discussions with the Company's personnel, the external appraisal reports used by management to determine the above-mentioned provisions and then we verified that the data contained in the reports had been adequately used for the determination of the accruals through the discounting process under "*IAS 37 - Provisions, contingent liabilities and contingent assets"* adopted by the European Union. We also verified the reasonableness and adequacy of the discount rate used by the directors to calculate the amount of the provision recognised in the financial statements. Finally, we verified the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the separate financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of 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, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 16 February 2017 and 20 December 2017 respectively, the shareholders of Alia Servizi Ambientali SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Alia Servizi Ambientali SpA are responsible for preparing a management report and a report on corporate governance and the ownership structure of Alia Servizi Ambientali SpA as of 31 December 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the management report and of the specific information included in the report on corporate governance and the ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the management report and the specific information included in the report on corporate governance and the ownership structure mentioned above are consistent with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 6 May 2024

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.