

aGsm aim

2023 Annual Financial Report

**AGSM AIM GROUP
2023 ANNUAL FINANCIAL REPORT**

CORPORATE, MANAGEMENT AND CONTROL BODIES

BOARD OF DIRECTORS

<i>Chairperson:</i>	Federico Testa
<i>Vice Chairperson:</i>	Gianfranco Vivian
<i>The Chief Executive Officer:</i>	Stefano Quaglino
<i>Director:</i>	Angela Broglia
<i>Director:</i>	Anna Massaro
<i>Director:</i>	Fabio Sebastiano

THE BOARD OF STATUTORY AUDITORS

<i>Chairperson:</i>	Gaetano Terrin
<i>Standing Auditor:</i>	Gabriele Pasquini
<i>Standing Auditor:</i>	Chiara Zantedeschi

INDEPENDENT AUDITORS

BDO Italia Spa

COMPANY DETAILS

Company name: AGSM AIM SpA
Share capital: Euro 95,588,235
Registered office: Lungadige Galtarossa 8 - 37133 Verona (VR)
TAX ID CODE 00215120239
VAT number 02770130231
REA VR - 30821
www.agsmait.it

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**Report on operations
AGSM AIM Group**

1. Report on Operations

Dear Shareholders,

The consolidated financial statements of the AGSM AIM Group as at 31 December 2023 show a turnover of Euro 2,042,650 thousand, a profit for the year of Euro 29,405 thousand, of which Euro 27,057 thousand pertaining to the Group after depreciation, amortisation, write-downs and provisions of Euro 92,563 thousand. EBITDA was Euro 156,922 thousand.

The Net Financial Position amounts to Euro 370,432 thousand.

Despite the current geopolitical context of increasing complexity and rapid evolution due to ongoing conflicts in some areas of the world, the crisis in international trade, macroeconomic variables including inflation and interest rate trends as well as the energy scenario and climate change, thanks to the contribution of all its Business Units, the AGSM AIM Group confirms its commitments and ambitions for the 2023 financial year. In particular, thanks to the growth of margins in the market, environment, networks and smart services business units and the consolidation in the power and heat business units, the 2023 consolidated financial statements show a considerable EBITDA of Euro 157 million and a sharply declining net financial position.

In addition, by allocating over Euro 115 million in investments to the upgrading of the gas and electricity distribution networks, the development of new projects in the field of clean energy production, public lighting, support for electric mobility and the upgrading of plants and collection facilities with reference to the environment business unit, the AGSM AIM Group responded in 2023 to the various requests by tracking its evolution towards a sustainable energy transition.

The results of the year therefore confirm the industrial soundness of the AGSM AIM Group, demonstrating sound economic performance that in 2022 had achieved particularly positive results thanks also to a favourable energy market situation.

1.1 Profile of the AGSM AIM Group

Ownership Structure

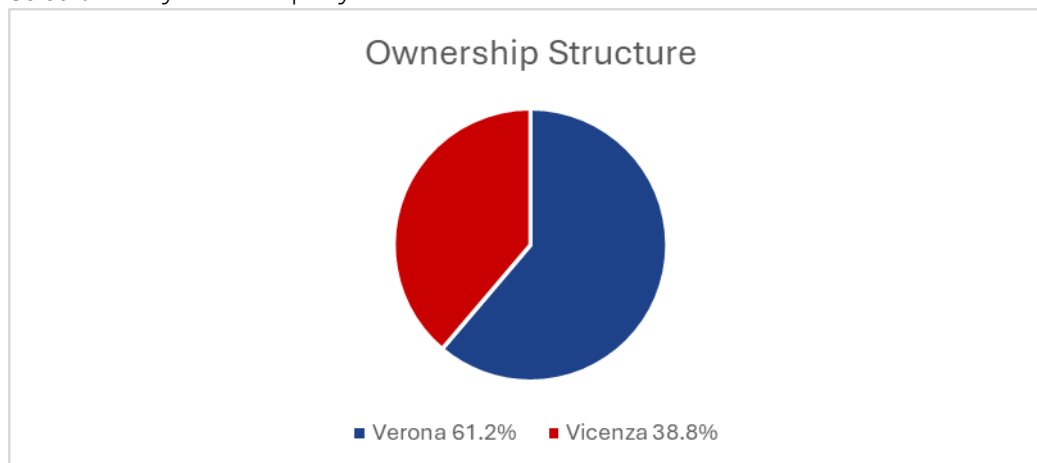
The AGSM AIM Group was founded on 29 December 2020 following the business combination (merger by incorporation) between AIM Vicenza Spa and AGSM Verona Spa. The legal, accounting and tax effects of the transaction commenced on 1 January 2021 (effective date of the transaction). The transaction stemmed from the common development project concentrated in Northeast Italy, with the main objective of sharing strategic lines of growth through the enhancement of individual sector companies, their brands and territorial coverage and through the activation of commercial, industrial and operational synergies.

As a result of the business combination, the new AGSM AIM Group, of national importance, has enjoyed an important expansion in the scope of its activities compared to those of the two stand-alone companies, both in terms of business and area covered, while continuing to operate in the public services sector.

The group is fully publicly owned as its capital is held by the Municipality of Verona and the Municipality of Vicenza.

The share capital of the Parent Company as at 31 December 2023 amounted to Euro 95,588 thousand, fully paid in and consisting of 63,725,490 ordinary shares, with a nominal value of Euro 1.5 each. The breakdown of the share capital is as follows:

- 61.20% held by the Municipality of Verona
- 38.80% held by the Municipality of Vicenza.



The Parent Company AGSM AIM S.p.A. is a Public-Interest Entity (PIE) as the holder of a bond issued on the regulated market of the Irish Stock Exchange.

Business sectors and Corporate structure of the AGSM AIM Group

The Group operates mainly in the following areas:

- generation of electricity;
- production of electricity and heat for district heating networks;
- electricity and gas distribution and metering;
- sale of electricity, gas and heat;
- public lighting
- waste collection, treatment and transport;
- telecommunications services;
- parking management

In view of the above activities, six Business Units (BUs) have been identified to which specific companies are accountable.

Power Business Unit: operating in the production of electricity with thermoelectric, hydroelectric, wind and photovoltaic systems, headed by AGSM AIM Power S.r.l.;

Heat Business Unit: operating in the production of electricity and heat for district heating networks with cogeneration plants and thermal energy distribution systems, headed by AGSM AIM Calore S.r.l.;

Networks Business Unit: operating in the gas and electricity distribution and metering sector, headed by V Reti S.p.A.;

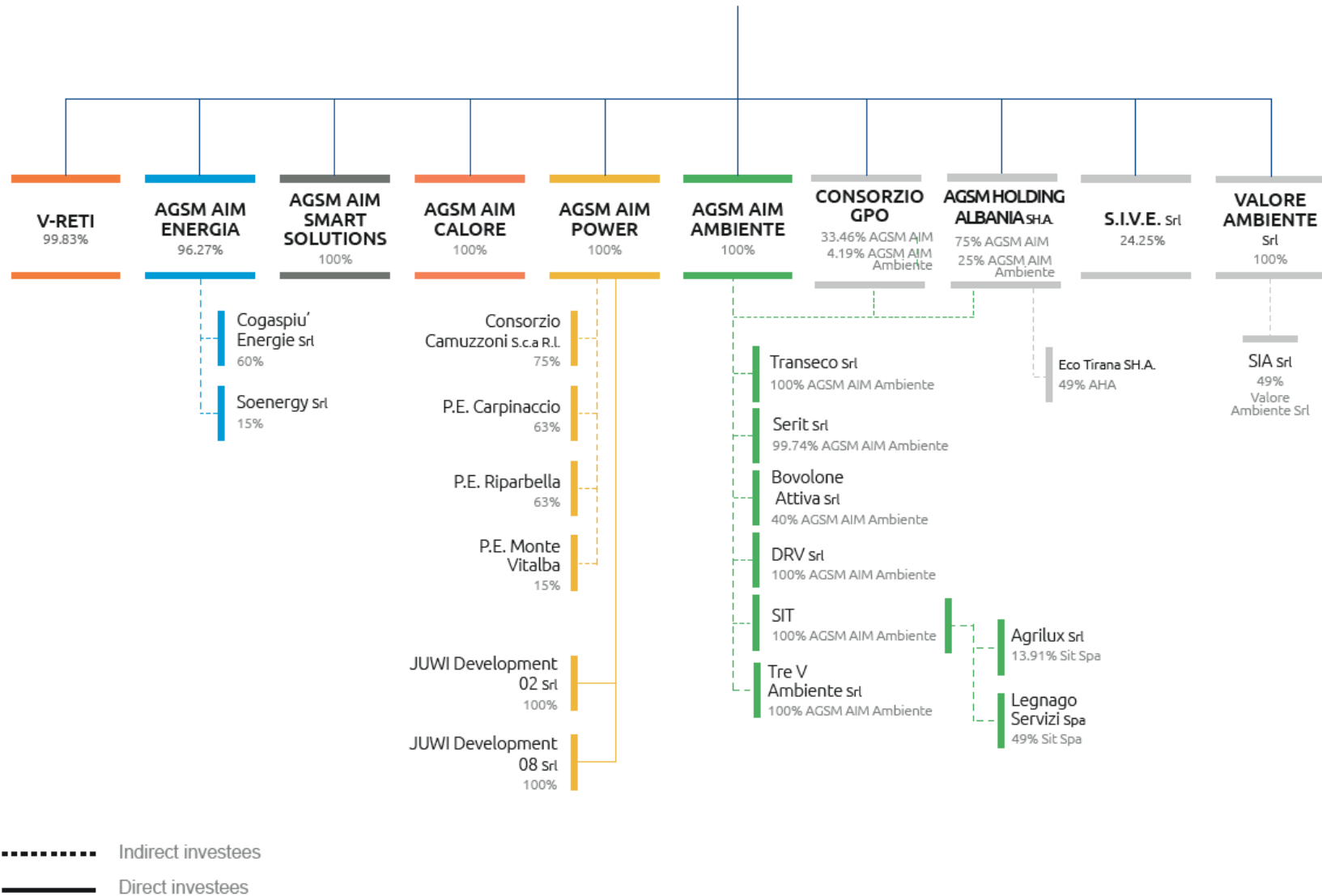
Market Business Unit: active in the sale of electricity, gas and heat in the various market segments, headed by AGSM AIM Energia S.p.A.;

Smart Business Unit: operating in the public lighting, telecommunications and parking management and sustainable mobility sectors, headed by AGSM AIM Smart Solutions S.r.l.;

Environment Business Unit: operating in the waste collection, treatment and disposal sector, headed by AGSM AIM Ambiente S.r.l.. For the Environment sector, a reorganisation process is still underway and will continue in 2024.

The diagram below shows the group's corporate organisation as at 31 December 2023.

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1.2 General macroeconomic scenario

The economic scenario in 2023 was mainly influenced by the policy of central banks, the recovery of China, the winds of recession, the escalation of the war in the Middle East, adverse weather phenomena, factors that are also affecting prices in 2024.

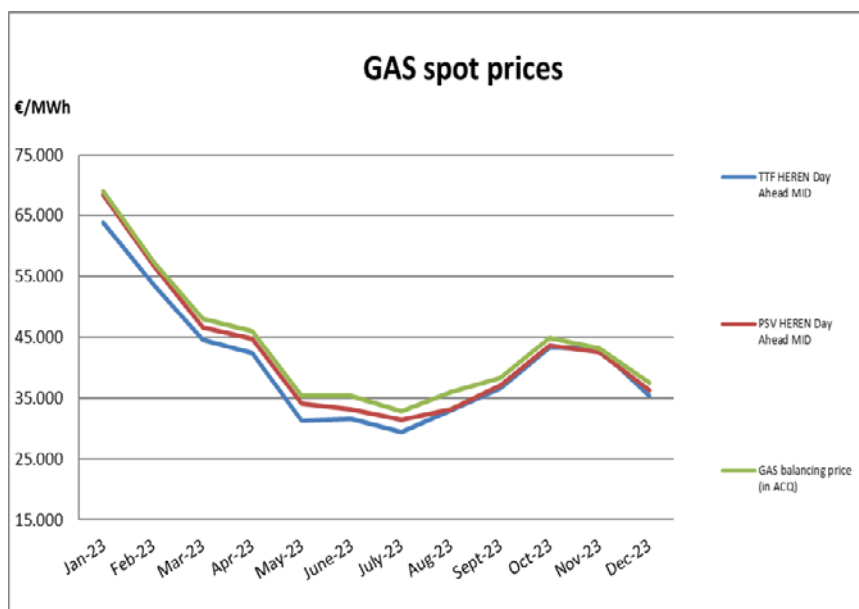
European energy commodity prices fell significantly from their all-time highs in 2022 - following Russia's invasion of Ukraine - and were among the most impacted markets because producers increased their supplies and demand eased.

On an annual basis, there was a generalised, double-digit decline in the price of commodities compared to 2022: Brent oil (-19%), electricity (-58%), gas (-65%) and coal (-53%).

For non-gas and electricity commodities, the increases were concentrated in the second half, respectively in the months of August and November, reversing the trend in October and returning in December to display their annual lows.

As for gas, prices on the main European hubs more than halved compared to 2022, returning to values similar to those of 2021. In January 2023, the PSV (Virtual Trading Point) rose to Euro 68.37/MWh and the TTF (Title Transfer Facility) to Euro 63.93/MWh, with the spread between the two quotations widening considerably on an annual basis to Euro 1.66/MWh compared to Euro 0.72/MWh in 2022.

As regards the outlook, the forecasts on the European futures markets at the end of December 2023 were for prices to continue to fall in 2024, more incisively on the Italian market.



Average annual electricity prices have also fallen sharply, being closely related to gas prices: in Italy the average PUN (Single National Price) was EUR 127/MWh with a reduction of about 58% compared to 2022. The same trend was recorded on the other increasingly interconnected European electricity markets. The Futures markets confirm electricity prices still falling in 2024, with more intense variations for the Italian PUN. Electricity volumes traded on European stock exchanges (purchases and spot sales) increased significantly in Germany (+23%) thanks to the increase in production from renewable sources, remained almost unchanged in Italy and France, whereas they decreased in Spain (-10%).

The average price of the Guarantees of Origin (GO) negotiated in 2023 reached high values, rising to Euro 6.10/MWh.

The average prices for the year of production 2023 were highly fluctuating, varying in the range of Euro 5.50–8.50/MWh in the first part of the year and then a continuous decline started that characterised the entire second part of the year, falling to below Euro 2/MWh.

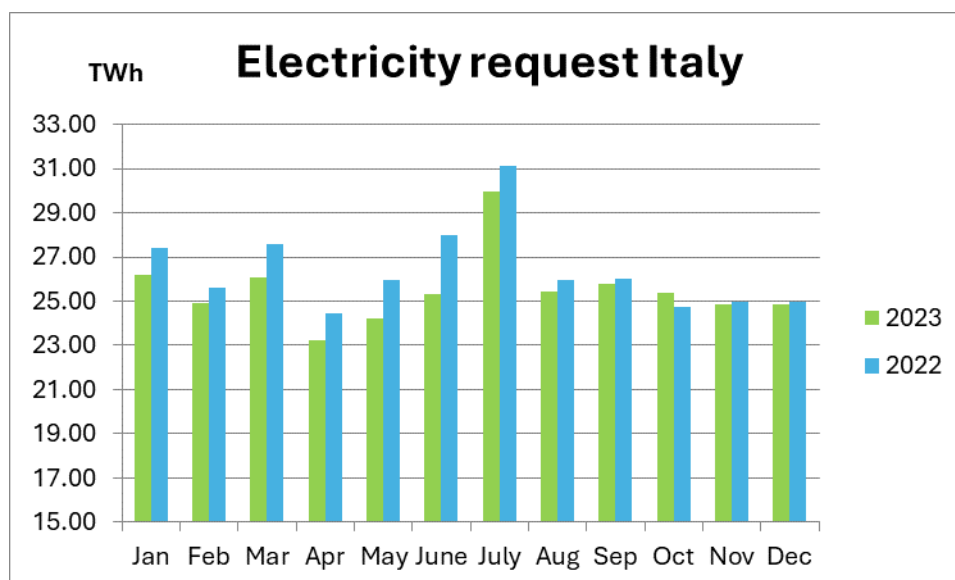
Contrary to 2022, gas and electricity prices continued to fall until July, reaching their annual lows and then rising again until October, where they reached about 70% of January's peak values and then fell back again towards the end of the year. The highly vulnerable and unpredictable trends in prices, which have been a feature of both commodities, is attributable to several events that can be summarised as follows:

- After the terrorist attacks in Israel, at the beginning of October, and the interruption of a gas pipeline in Finland at the same time, the price of natural gas in European markets rose temporarily; subsequently, the values fell back to those in September;

- Natural gas storage in the EU, in the last months of 2023, was at an all-time high, due to modest industrial demand and temperatures above the seasonal average.

Electricity market

The demand for electricity in Italy decreased in every month of the year 2023, compared to the same months of the previous year, except for October. According to initial calculations carried out by Terna, total electricity demand in Italy in 2023 amounted to 306.09 TWh (-3.39% compared to 2022). The peak in power was recorded on Wednesday 19 July between 16:00 and 17:00 and amounted to 58,778 MW, whereas in 2022 it had occurred on Monday 25 July between 15:00 and 16:00 and amounted to 57,465 MW. The demand for electricity in Italy, obtained as production + foreign balance - pump consumption, in 2023 compared to the corresponding figures for 2022 is as follows:



In 2023, the demand for electricity in Italy was 51.6% met by production from non-renewable energy sources and the remaining share by production from renewable sources and the foreign balance.

In particular, production from renewable energy sources met 36.8% of the demand for electricity (compared to 31.1% in 2022). The increase was mainly due to greater hydroelectric and photovoltaic production.

In 2023 total net domestic production met 83.26% of the demand for electricity, while 16.74% was covered by the balance from foreign countries.

Total net domestic production in 2023 was 257.023 TWh (-7.00% compared to 2022) and the share of sales from renewable energy plants contributed with the following percentages: hydroelectric power 14.88%, biomass 5.88%, geothermal 2.08%, wind power 9.09% and photovoltaic 11.90%.

In detail, net domestic production, compared to last year, saw reduced production from thermoelectric sources (-18.29%) and reduced production from geothermal sources (-1.78%). Hydroelectric production grew strongly (+36.79%), as did wind power (+14.81%), photovoltaics (+11.04%) and imports (+15.15%). The average purchase price of electricity on the exchange (PUN) stood at EUR 127.24/MWh, down by Euro 176.71/MWh compared to 2022 (-58.14%), returning to a value similar to that of 2021. The downward trend characterised all the months of the year but most markedly mid-year. The factor that determined the sharp decline in the PUN was the price of gas that originated in Europe as a result of the new physical market equilibrium that was achieved with the increase in non-Russian imports and new LNG agreements that replaced the reduced gas levels coming directly from Russia through gas pipelines.

The highest hourly price that originated was equal to Euro 295.00/MWh, recorded from 08:00 to 09:00 on Friday 13 January while the lowest price that was equal to Euro 2.46/MWh occurred from 14:00 to 15:00 on Sunday 5 November:

	PUN (Euro/MWh)	Peak (Euro/MWh)	Non Peak (Euro/MWh)
Jan-23	174.49	196.16	162.57
Feb-23	161.07	177.35	152.02
Mar-23	136.38	145.21	131.17
Apr-23	134.97	134.66	135.13
May-23	105.73	112.52	101.72
June-23	105.34	108.94	103.26
July-23	112.09	117.72	109.21
Aug-23	111.89	113.49	110.94
Sept-23	115.70	123.41	111.54
Oct-23	134.26	148.84	126.25
Nov-23	121.74	139.79	111.28
Dec-23	115.46	130.58	107.72
average	127.24	137.39	121.90

With regard to the sale price of electricity for Northern Italy on the day-ahead market (DAM), it decreased by Euro 180.03/MWh compared to 2022.

Natural gas market

In 2023, Italy witnessed a second consecutive drop in natural gas demand (-8.4% on 2022), falling to the lowest since 2015, reaching a total consumption of 63.13 billion cubic metres. Consumption fell in all sectors in the first part of the year, partly due to the high gas prices, despite the decline that began at the end of August 2022 and has continued until today, and partly due to the mild temperatures in 2023. Civil consumption was 26.64 billion cubic metres (-7.4%), industrial consumption was 11.44 billion cubic metres (-4.0%) and thermoelectric consumption was 21.09 billion cubic metres (-16.2%).

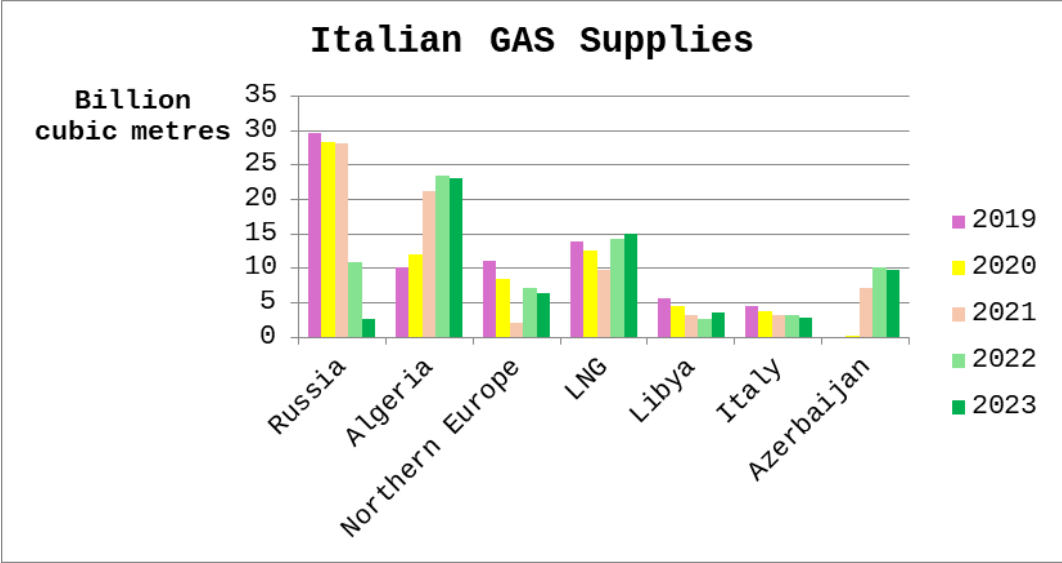
On the supply side, there was a significant reduction in gas imports through the pipeline (-18.6%), mainly due to lower flows from Russia (-77%) and an increase in regasification terminal imports (+6.4%). Overall, total imports fell to 60.64 billion cubic metres (-11.7%).

One of the most significant projects that Italy has in the pipeline in order to increase the procurement of LNG supplies and ensure energy security is the one involving regasification plants in Piombino (already operational) and Ravenna (operational by the end of 2024). According to Snam's forecasts, Golar Tundra (Piombino's regasification vessel) will bring about 5 billion cubic metres per year to the Italian network, as will the Ravenna regasification plant. Together with the other three existing regasification plants, the two FSRUs (Floating Storage and Regasification Units) will bring Italian LNG to 28 billion cubic metres/year.

The amount of gas sent into Italian storage systems fell, while remaining at significant levels at 8.285 billion cubic metres (-30.7%), while the gas delivered fell to 7.97 billion cubic metres (-12.9%). The gas stock in Italian storage at 31/12/2023 was at an all-time high and amounted to 10,338 billion cubic metres (+0.14% compared to 31/12/2022).

Domestic production fell to its lowest level since 2015, registering only 2.802 billion cubic metres.

Total gas supplies in 2023 (import and national production) totalled 63.4 billion cubic metres compared to 71.8 billion cubic metres in 2022 (-11.6%). Domestic production accounted for only 4.41%, with all imports except those with LNG and from Libya being down:



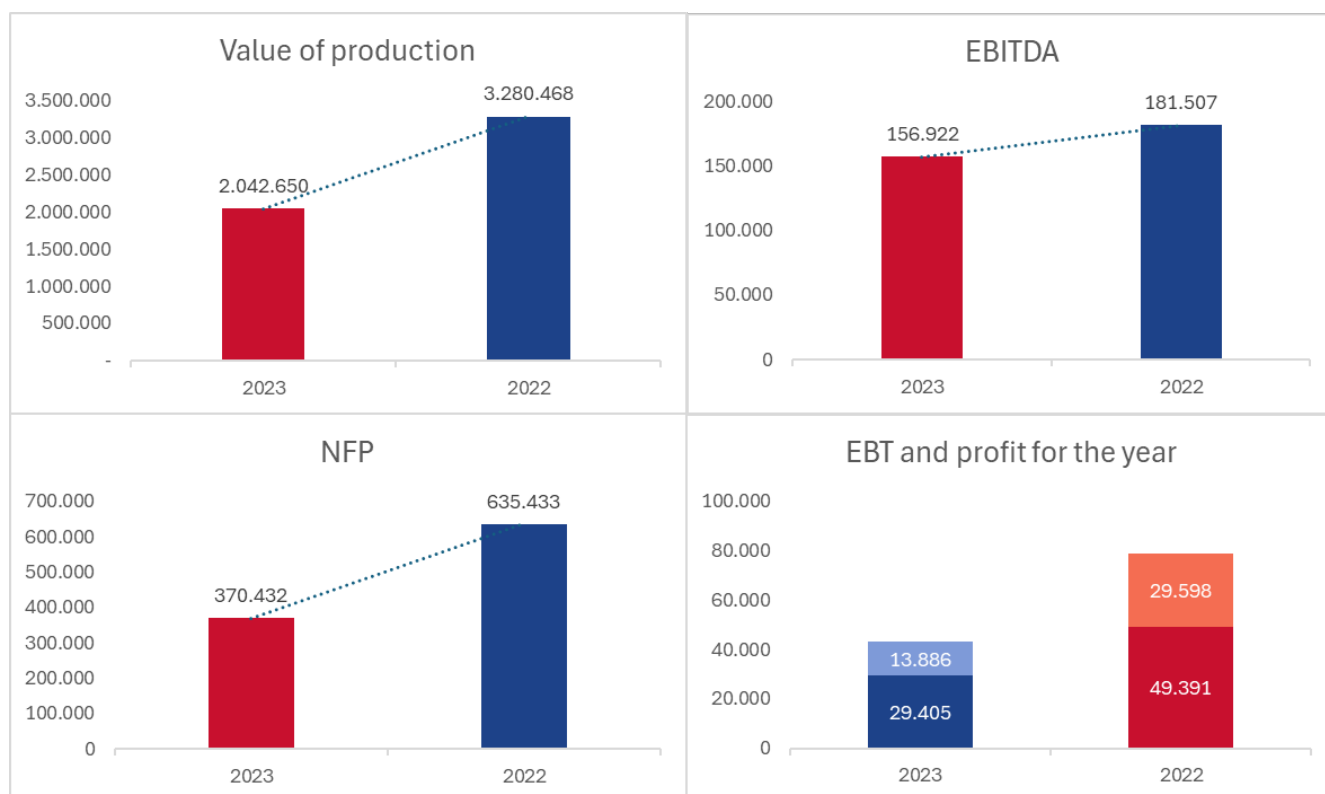
1.3 Main economic and financial aspects of the Group

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") in force at 31 December 2023. The table shown below indicates the main income statement results achieved in 2023.

1.3.1 Economic position

In 2023, the Group maintained good economic performance from the point of view of operating profitability, despite operating in a market context characterised for the first part of the year by turbulence in the energy market. The reduction in electricity and gas prices led to a reduction in the value of production and consequently in margins in the electricity production and cogeneration sector.

The main performance indicators with reference to the results for the financial years 2023 and 2022 are shown below. The values in the graphs below are shown in thousands of Euro.



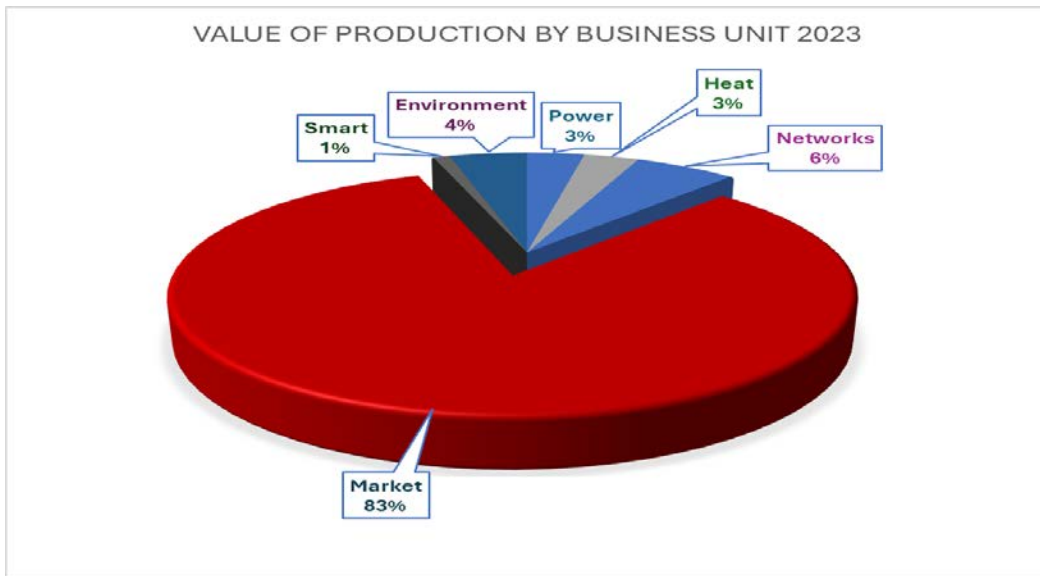
As mentioned above, the Group's overall profit for the year came to Euro 29,405 thousand, with a return on equity (ROE) of 8%.

INCOME STATEMENT	2023	%	2022	%
Revenue	2,042,650	100%	3,280,468	100%
Revenue from sales and services	1,978,013	97%	3,195,646	97%
Change in inventories	(7,821)	0%	9,877	0%
Other revenue	72,458	4%	74,946	2%
Operating costs	1,793,932	88%	3,010,509	92%
Raw materials and consumables	1,204,785	59%	2,583,695	79%
Services	554,511	27%	372,174	11%
Leases and rentals	8,257	0%	9,487	0%
Other operating costs	26,379	1%	45,154	1%
Added value	248,718	12%	269,959	8%
Personnel costs	91,796	4%	88,452	3%
EBITDA	156,922	8%	181,507	6%
Amortisation, depreciation, and provisions	92,563	5%	97,945	3%
Amortisation and depreciation	72,288	4%	71,631	2%
Write-down of receivables	9,778	0%	10,720	0%
Other provisions	10,498	1%	15,595	0%
Net operating income	64,359	3%	83,562	3%
Financial position	(21,570)	1%	(5,051)	0%
Income from equity investments	418	0%	9	0%
Financial income	5,875	0%	2,617	0%
Financial expenses	(27,800)	1%	(9,781)	0%
Adjustments to financial assets	(63)	0%	2,104	0%
Pre-tax profit (loss)	42,789	2%	78,511	2%
Income taxes	13,886	1%	29,598	1%
Profit (loss) from operations	28,903	1%	48,913	1%
Profit (loss) from discontinued operations, net of tax effects	502	0%	478	0%
Profit (Loss) for the year	29,405	1%	49,391	2%

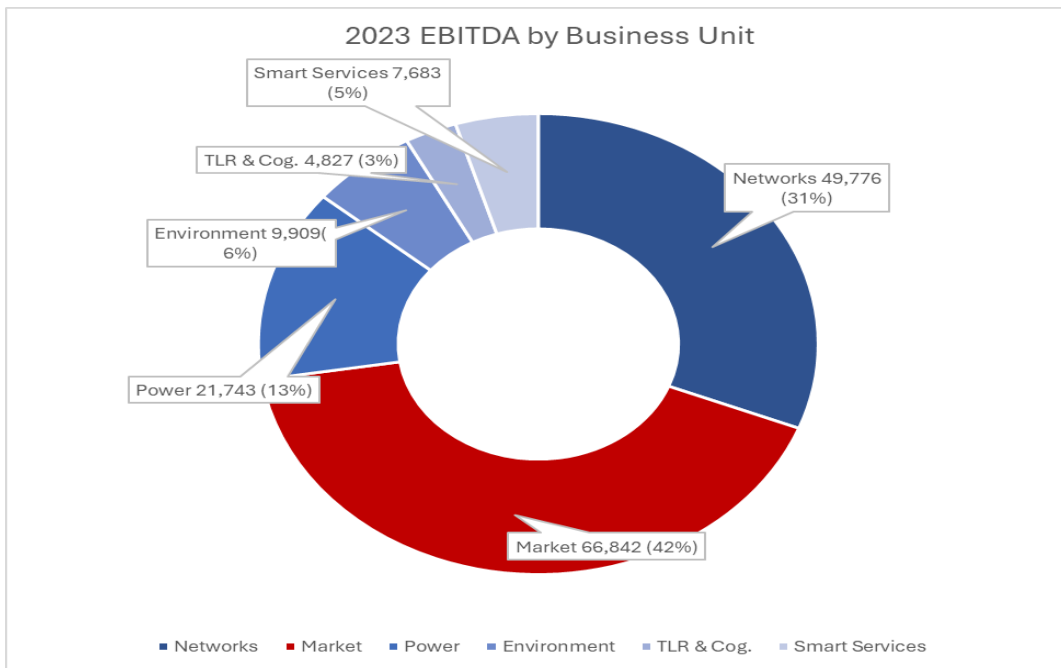
- **Revenue** amounted to Euro 2,042,650 thousand, with a variation of Euro 1,237,818 thousand (or -38%) compared to 31 December 2022;
- **added value**, i.e. the difference between revenue and external costs, amounted to Euro 248,718 thousand, down by Euro 21,241 thousand on the previous year;
- **EBITDA** was Euro 156,922 thousand, down by Euro 24,585 thousand with a percentage on the value of production amounting to 8%;
- **amortisation/depreciation and impairment** amounted to Euro 82,065 thousand and provisions amounted to Euro 10,498 thousand;
- **net financial charges** amounted to Euro 21,570 thousand with a strong increase (+327%) compared to the 2022 figure of Euro 5,051 thousand;
- **pre-tax profit** amounted to Euro 42,789 thousand compared to Euro 78,511 thousand in 2022;
- **profit (loss) from discontinued operations, net of tax effects**, was attributable to environmental health activities sold during 2023;
- **net profit** amounted to Euro 29,405 thousand compared to Euro 49,391 thousand.

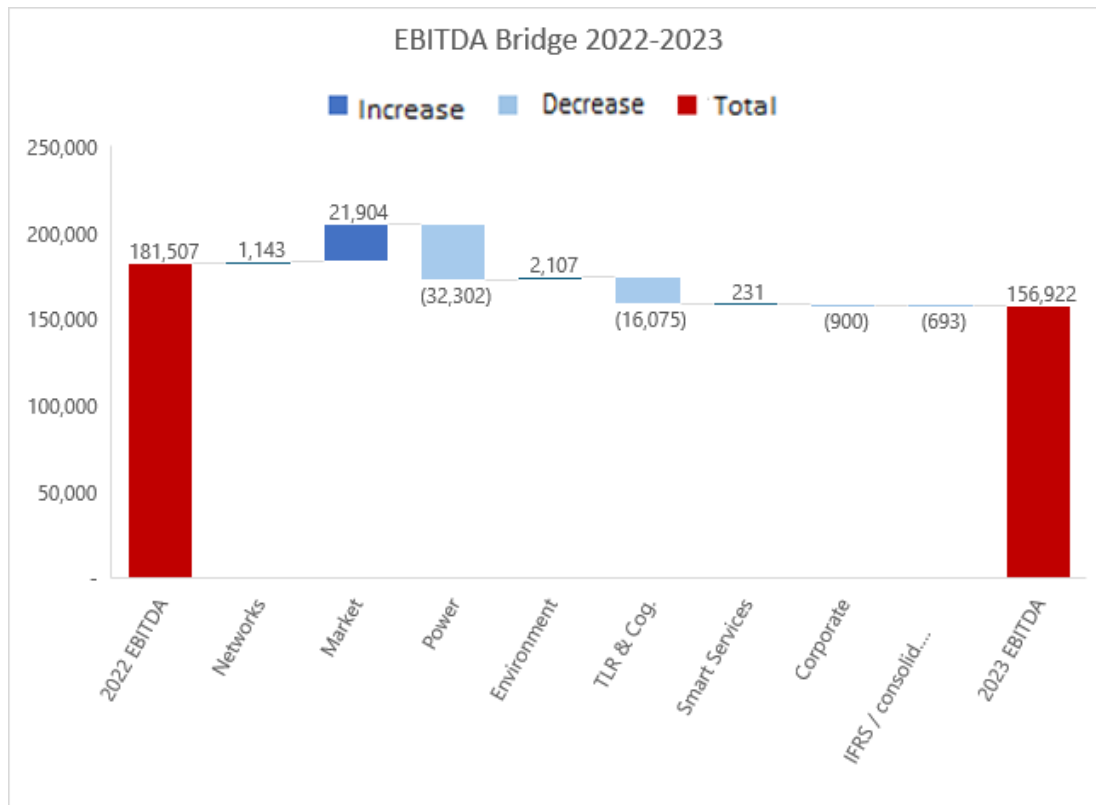
The values for the 2022 financial year relating to "Assets held for sale" were reclassified following the application of IFRS5 "Non-current Assets Held for Sale and Discontinued Operations" to the line "Profit (loss) from discontinued operations, net of tax effects" attributable to the activities of the subsidiary AMIA Verona Spa, sold during 2023.

Below is a breakdown of revenue and EBITDA for each Business Unit:



Below is a breakdown of EBITDA for each Business Unit:





1.3.2 Financial position

The financial position can be summarised as follows in terms of changes in invested capital and sources of financing:

	2023	%	2022	%
INVESTED CAPITAL				
Net non-current assets				
Intangible assets	427,117		419,186	
Property, plant and equipment	486,356		455,669	
Goodwill	53,046		51,620	
Equity investments and other non-current financial assets	62,233		44,490	
Deferred tax assets/liabilities	8,672		8,543	
Employee benefits	(20,572)		(24,081)	
Provision for risks and charges	(59,647)		(54,679)	
Other non-current assets/liabilities	(21,361)		812	
Total net non-current assets	935,843	89%	901,559	69%
Net operating capital				
Short-term assets				
Inventories	21,280		29,845	
Trade receivables	392,611		674,706	
Other current assets	106,015		226,197	
Total short-term assets	519,905		930,747	
Short-term liabilities				
Trade payables	(262,477)		(378,398)	
Other current liabilities	(143,441)		(144,317)	
Total short-term liabilities	(405,918)		(522,716)	
Total net operating capital	113,987	11%	408,032	31%
TOTAL INVESTED CAPITAL	1,049,830	100%	1,309,591	100%
SOURCES OF HEDGING				
Equity				
Share capital	(95,588)		(95,588)	
Legal reserve	(16,348)		(13,139)	
Other reserves	(520,024)		(497,824)	
Profit (loss) for the year	(27,057)		(46,452)	
Group total equity	(659,017)		(653,003)	
Minority interests	(20,381)		(21,155)	
Total equity	(679,398)	65%	(674,158)	51%
Net Financial Position				
Short-term net financial position	(214,062)		(419,802)	
Medium/long-term net financial position	(156,370)		(215,631)	
Total net financial position	(370,432)	35%	(635,433)	49%
TOTAL SOURCES	(1,049,830)	100%	(1,309,591)	100%

Compared to the equity and financial position of the previous year, the overall invested capital, equal to Euro 1,049,830 thousand was down (Euro 1,309,591 thousand). The reduction in working capital of Euro 294,045 thousand (from Euro 408,032 thousand to Euro 113,987 thousand) was due to the reduction in tensions on the prices of marketed commodities, for which advance payment was requested in the previous year, and the management focus on payment times and credit management.

The increase in the total of non-current assets of Euro 34,284 thousand was attributable to the significant investment activity as regards Euro 114,904 thousand with amortisation/depreciation of Euro 72,288 thousand.

65% of net invested capital was financed by equity and the remainder by other sources of financing, mainly provided by the banking system, to support the working capital dynamics caused by the energy scenario.

At the end of the year, the total net financial debt with exposure compliant with the ESMA/31-62-1426 guideline stood at Euro 370,432 thousand. This figure also includes the amounts due to Shareholders for dividends already approved at the end of the year and not yet paid.

It should be noted that the financial position as at 31 December 2022 here and in the rest of the document was restated to take into account the sale of the activity of the subsidiary AMIA Verona Spa as illustrated in the paragraph “effects of application of IFRS5”.

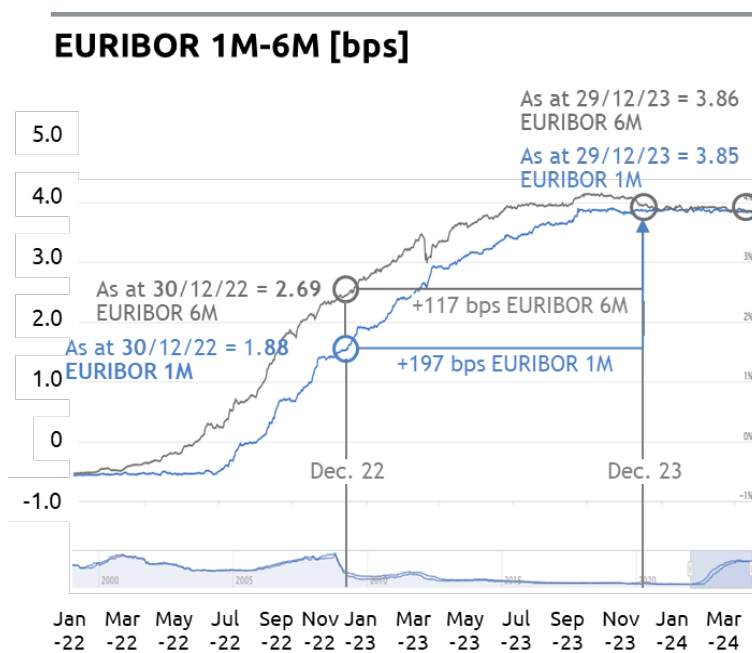
The following tables show the change in the net financial position in 2023 compared to 2022:

NET FINANCIAL DEBT	2023	2022
Cash and cash equivalents	26,789	18,667
Cash and cash equivalents	26,789	18,667
Current account liabilities	(106,100)	(297,188)
Mortgage loans - current portion	(51,248)	(67,623)
Bonds - current portion	(10,054)	(10,071)
Payables for current share of rights of use	(2,450)	(2,454)
Payables for dividends to Municipalities	(71,000)	(61,132)
Current net financial debt	(240,852)	(438,469)
Mortgage loans - non-current portion	(152,398)	(200,886)
Bonds - non-current portion	-	(10,014)
Payables for non-current share of rights of use	(3,972)	(4,598)
Other non-current financial payables	-	(133)
Non-current net financial debt	(156,370)	(215,631)
Total net financial debt	(370,432)	(635,433)

The Group continues to monitor the market in order to optimise the composition of its debt, with the aim of containing the risks related to interest rate trends by also using hedges with suitable financial instruments. The sudden increase in interest rates and the simultaneous need for working capital with an increase in bank debt led to a significant increase in financial charges.

The Parent Company continued to obtain a credit rating that places it in the “security” area in 2023 as well.

Cash flow analysis	2023	2022
Gross self-financing from operations	117,594	187,440
Cash flow from changes in NWC	321,680	(233,724)
Cash flows from other operations	(20,304)	(57,792)
Total operating cash flows	418,970	(104,076)
Cash flow from investment activities	(114,274)	(97,653)
Cash flow from financial activities	(296,573)	189,840
Net cash flow	8,123	(11,889)
Initial cash and cash equivalents	18,667	30,556
Closing cash and cash equivalents	26,790	18,667

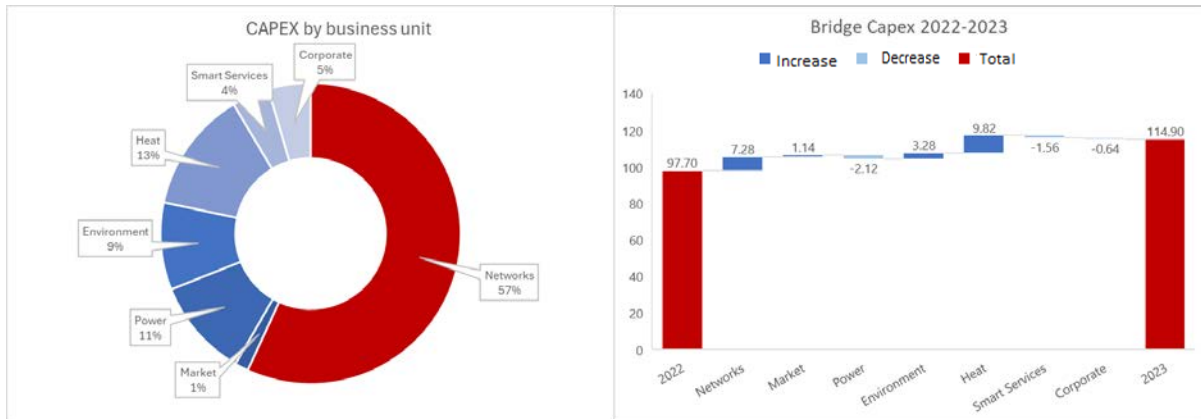


1.4 Investments

Investments, a strategic priority of the AGSM AIM Group, amounted to Euro 114,904 thousand in 2023, up 18% compared to 2022.

In particular, around Euro 65,400 thousand was invested in the upgrading, extension and digitisation of the networks, Euro 10,800 thousand in the environment sector, mainly intended for the renewal and increase of the vehicle fleet and over Euro 4,600 thousand in smart services, in particular for the renewal of public lighting using LEDs, as well as in the telecommunications network and the electric charging infrastructure. Around Euro 12,200 thousand was invested for renewable generation and cogeneration plants. Lastly, in the corporate area, significant investments were also made in ICT and with reference to the corporate assets.

The following is a graphic breakdown of the investments by Business Unit.



1.5 Acquisition transaction and events in the financial year 2023 and subsequent developments

With regard to the developments in the transaction relating to the acquisition of Compago s.r.l., with respect to what was mentioned in the report on the financial statements of the previous year, it should be noted that with a note dated 31 July 2023, sent both to AGSM AIM Energia Spa and to the Parent Company AGSM AIM Spa, the target company requested a partial reimbursement of damages. With a note dated 10 August 2023, both companies rejected the request as completely unfounded.

After some meetings with the Parent Company, with a note dated 11 March 2024, the target company expressed its general willingness to discuss the points made and communicated its intention to take legal action; a further communication dated 22 April 2024 followed in which, without prejudice to it asserting its rights in the event of no agreement, the willingness to reach a swift agreement was expressed.

1.6 Human resources

The year was characterised by the fine-tuning of the organisational structure that involved the entire AGSM AIM Group. The numerous ongoing projects aimed at standardising the operational procedures for performing processes were continued supported by a single and convergent software architecture.

With regard to employee management, during 2023 the software architecture was completed which allows all the staff of the AGSM AIM Group to be managed uniformly in aspects related to attendance, payroll processing, monitoring of labour costs, and control of access to offices.

As far as industrial relations are concerned, the agreements came into effect in 2023, aimed at standardising the various contractual provisions applied to workers in the various group locations. In addition, an agreement was signed in relation to the Performance Bonus, which also provides for its optional conversion, for employees, into welfare goods and services.

During 2023, bilateral joint committees were established, as provided for by the "trade union relations" protocol of 1 September 2021, with the function of developing proposals or actions for taking a more in-depth look into three specific areas: training; health, safety and the environment; welfare, promotion of equal opportunities, inclusion and diversity.

The 2023 recruitment policy focused on the themes of the generational transition and the dissemination of digital skills; in continuity with previous years, it saw the inclusion of highly educated and specialised staff. The professional apprenticeship contract was widely used.

With regard to the management and development of personnel, further progress with the VOLT project continued; in previous years it gave rise to the definition of the mission and values of the AGSM AIM Group.

A wide range of projects were therefore promoted, aimed at all the professional families of the AGSM AIM Group covering issues related to soft skills and managerial competence.

Two multi-year courses were launched that focus on soft skills with particular regard to interpersonal communication, change management and teamwork. A first course, VOLT Lab, was started in 2023 and will end in the first half of 2024, aimed at the Heads of the AGSM AIM Group already involved in the performance management process; a second course, VOLT Learning Center, launched in 2023 and ending in 2025, will involve all the employees of the AGSM AIM Group hired under the National Collective Bargaining Agreement (CCNL) for the electricity sector.

These two courses involving the entire company population were then supplemented with training initiatives focused on specific topics, such as:

smart working, provided to the entire population that use this style of work in order to develop the soft skills required to operate remotely in a profitable manner;

change management and team building delivered to specific organisational units, with the aim of strengthening the sense of belonging of teams located in different workplaces;

customer relationship management with the aim of enhancing customer management skills at a difficult time for the energy market.

In addition, a group of more than 50 employees were given the opportunity to access seminars and webinars on topics related to soft skills and the national and international context with the aim of promoting the development of professional skills that may also go beyond one's own sphere of work.

The 2023 training plan was then completed with the provision of courses on occupational safety or technical and professional refresher courses.

In 2022, the "Valori in Azione" (Values in Action) Project was undertaken, involving heterogeneous working groups with the aim of defining ways to transform values from ideas into practical behaviour and initiatives. The project involved over 50 employees who in June 2023 submitted their projects for improvement to the AGSM AIM Group Management. The first of these, "Erasmus Aziendale" (Corporate Erasmus), i.e. the possibility of being hosted for a short period in a

company function other than one's own in order to work on issues not related to one's own daily work, will take place in the first months of 2024.

At the end of 2023, VOLT UP was launched, a project aimed at developing individual skills and initially addressed to all AGSM AIM Group employees under the age of 40 (graduates and high school diploma holders in technical subjects). The project will be completed during 2024 with the aim of identifying specific individual development courses for all participants, aimed both at professional development and at increasing engagement in their organisation.

During the financial year 2023, the Group also continued its professional and career development activities through a well-structured action on salary increases.

1.7 Climate change

The Group is prone to the effects of climate change, and the risks associated with it are the subject of specific analysis by the Group. In this regard, the Group has created a system for identifying, assessing and managing the risks associated with climate change and making it a part of its Enterprise Risk Management process, which will be discussed below. The commitment on climate strategy is presented in the CNFS.

The development strategy created by the AGSM AIM Group provides for actions to monitor and combat the impacts of climate change. In this regard, the 2024 budget and the 2025 economic forecasts already include some actions aimed at mitigating the effects of climate change.

The AGSM AIM Group promotes sustainable growth thanks to a long-term strategy, with investments dedicated to the development of the circular economy and the energy transition.

1.8 Main aspects according to Business Unit

Power Business Unit

The Power Business Unit manages the plants for the production of electricity from various energy sources, thanks to a particularly diversified portfolio. More specifically, the business unit manages basin and run-of-the-river hydroelectric plants, wind and photovoltaic plants, thermoelectric and cogeneration plants.

Production

The year 2023 enjoyed a general increase in production for renewable energy plants, especially for the wind and hydroelectric sectors.

The wind sector recorded excellent production, both compared to the previous year and to historical averages, especially in the last three months of 2023, where the plants benefited from favourable weather conditions.

As for hydroelectric plants, the first four months of the year were affected by the drought that characterised the whole of 2022. From May onwards, however, the frequent rainfall allowed excellent production in the second half of the year.

The photovoltaic sector suffered from malfunctions in the plants in the Marche and Abruzzo, due to tracker damage and damage caused by the typhoon in Abruzzo at the beginning of November.

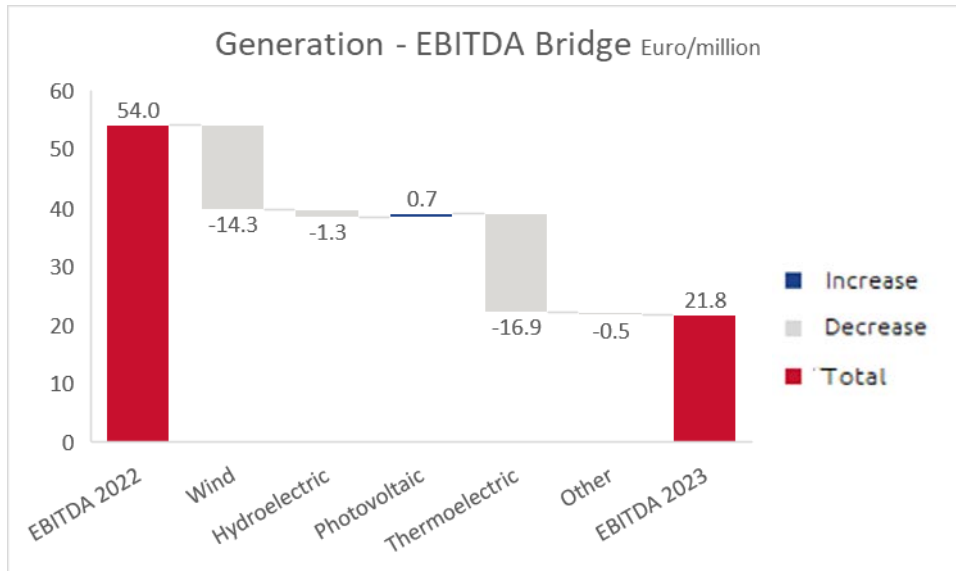
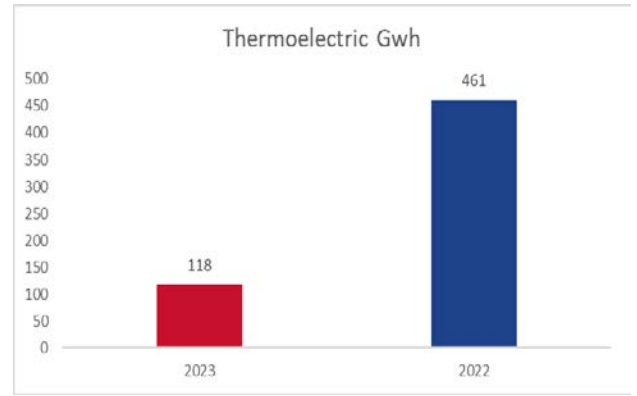
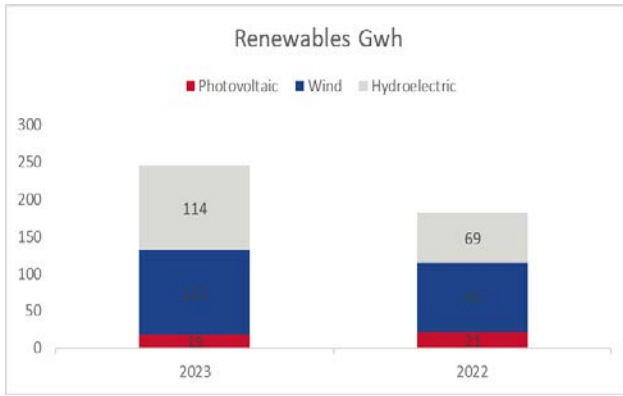
The other photovoltaic systems, on the other hand, performed in line with the previous year and the budget forecasts.

Thermoelectric production in the first months of 2023 was affected by the drought in that period, with a reduction in production due to the low hydrometric levels in the Mincio river, used for cooling the turbine. In the following months, the energy scenario, characterised by a low-payoff combination of PUN and PSV rates and CO2 quotas, had an extremely negative impact. This, combined with a growing supply of electricity from renewable sources (especially for the hydroelectric sector), led to the thermoelectric power plant not being switched on for most of the remaining months of 2023.

Income Statement	2023	2022	Change	% change
Value of production	70	253	(183)	-72%
Costs of production	(48)	(199)	150	-76%
EBITDA	22	54	(32)	-60%
EBITDA Margin	31%	21%		
EBIT	9	36	(28)	-76%
EBIT Margin	12%	14%		
EBT	9	35	(26)	-74%
EBT Margin	13%	14%		
Tax for the year	(3)	(17)	14	-85%
Profit	7	19	(12)	-64%
Profit/VoP	10%	7%		

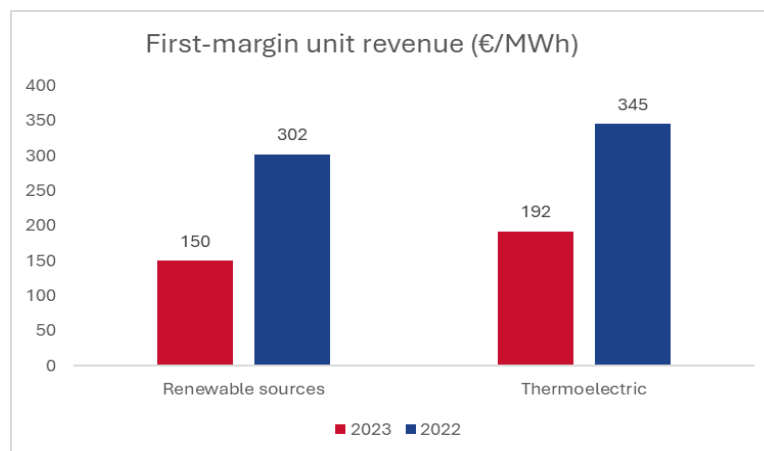
As at 31 December 2023, revenue for the period amounted to Euro 70 million, a significant reduction compared to the previous year (Euro 253 million). This decrease in the Business Unit's revenue is attributable to the impact of the energy scenario, which resulted in a drop in sale prices, as well as a sharp reduction in RES (renewable energy sources) incentives in 2023. Analysing the impact of production on revenue, there is a marked contraction in volumes from the thermoelectric source, while there is an increase in volumes for both the wind and hydroelectric sectors.

It is important to point out that the regulatory measures that introduced the application of an extraordinary contribution charged to energy companies had a negative impact of Euro 1.2 million on the operating result on the first margin of the Power BU.



The EBITDA (gross operating result) of Power BU amounted to Euro 22 million, also registering a sharp reduction compared to the previous year. In particular, the trend in the value of production was influenced by the energy scenario, the quotation prices of the energy produced and the reduction of RES incentives in 2023, in addition to lower production in the thermoelectric sector. Costs were also impacted by the energy context, with a reduction in gas and electricity costs, lower gas consumption and lower expenses for the cancellation of CO2 quotas.

The investments made during the year amounted to Euro 12.2 million, representing 11% of the Group's total investments. Finally, with regard to first-margin unit revenue, there was a 50% reduction in the renewable energy sector, from Euro 302/MWh in 2022 to Euro 150/MWh in 2023 and a 44% reduction in the thermoelectric sector, with prices falling from Euro 345/MWh in 2022 to Euro 192/MWh in 2023.



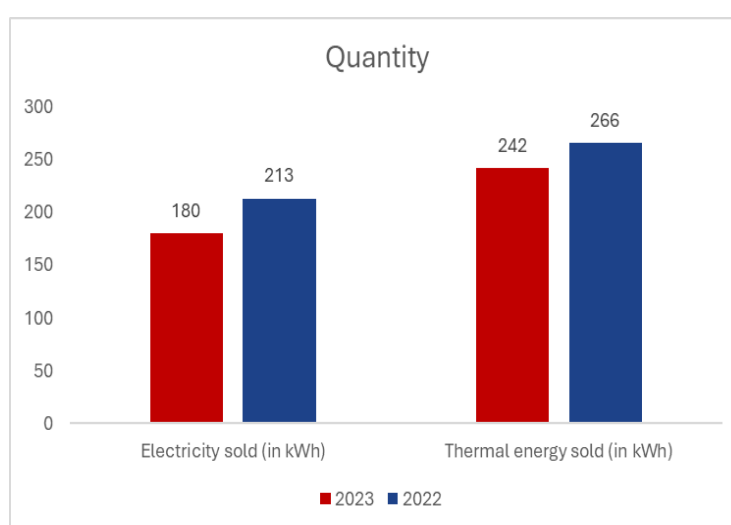
Heat Business Unit

The Heat Business Unit deals with the production and distribution of heat to customers connected to the district heating network in the municipalities of Verona and Vicenza, through cogeneration plants (Verona and Vicenza) and a geothermal well (Vicenza) that feed a network of about 185 km of pipelines and 68,628 equivalent flats.

Production

The production of the Heat BU during the second half of the 2022-2023 heating season (January-April) was affected by higher average temperatures, especially in the months of January and March. This led to a lower demand for thermal energy for the cogeneration plants and, consequently, a lower production of electricity. The start of the 2023-2024 heating season (October-December) recorded better production than the previous season, but still lower than historical averages, due to high temperatures.

Finally, the electricity sector of cogeneration plants was greatly affected by the energy scenario, characterised by a low-payoff combination of the PUN and PSV rates and CO2 quotas. This did not allow the motors to be started during the most unfavourable periods, thus resulting in a lower production of electricity. The failures of the cogenerators at the Forte Procolo, Golosine and Cricoli plants further affected electricity production in the early months of 2023.

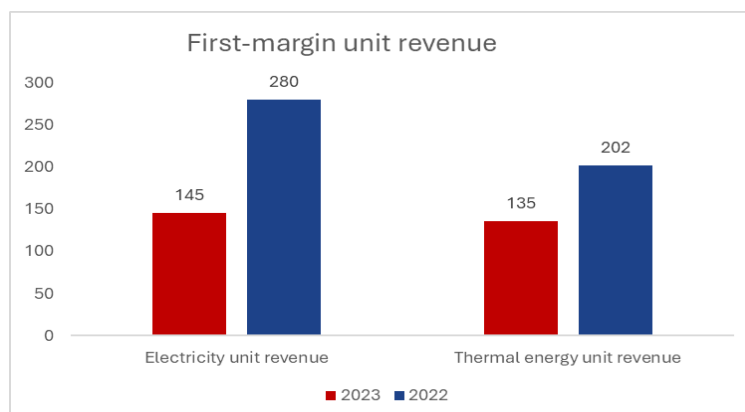


Income Statement	2023	2022	Change	% change
Value of production	67	122	(55)	-45%
Costs of production	(62)	(101)	39	-39%
EBITDA	5	21	(16)	-77%
EBITDA Margin	7%	17%		
EBIT	-	16	(15)	-98%
EBIT Margin	1%	13%		
EBT	-	16	(15)	-97%
EBT Margin	1%	13%		
Tax for the year	1	(3)	4	-122%
Profit	1	12	(11)	-91%
Profit/VoP	2%	10%		

As at 31 December 2023, revenue for the period amounted to Euro 67 million, a marked reduction compared to the previous year (Euro 122 million). This decrease in the Business Unit's revenue was mainly attributable to the impact of the energy scenario, which resulted in a drop in sale prices for both cogeneration and thermal electricity. In addition, production volumes were lower in both sectors.

EBITDA (gross operating result) amounted to Euro 5 million, thus also registering a sharp reduction compared to the previous year (Euro 21 million). In particular, production costs were also impacted by the energy scenario, with a reduction in gas purchase costs, (negatively) offset by the significant increase in gas transport charges and those for CO2 cancellation quotas, which were well above historical averages. In view of the particular situation in market prices, in order not to further affect the cost of district heating borne by households, the company decided to shoulder the expense of these increases and not to transfer them onto the service selling rates. In the first months of the year, the Business Unit also benefited from a gas consumption tax credit of Euro 3.5 million.

First-margin unit revenue contracted in both the thermal and electrical sectors. In the thermal sector, they went from Euro 202/MWht in 2022 to Euro 135/MWht in 2023, while in the electricity sector they fell from Euro 280/MWh in 2022 to Euro 145/MWh in 2023.



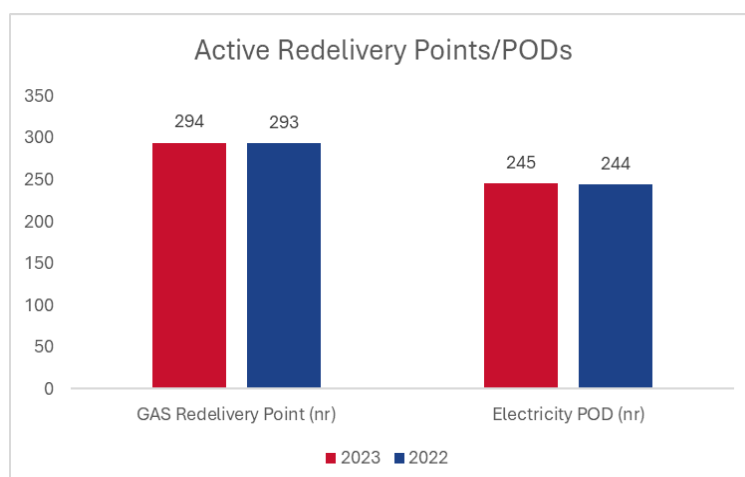
The Business Unit undertook major investments totalling Euro 15 million. The objective of these investments was the modernisation of the Borgo Trento (VR) and Cricoli (VI) power plants, in order to guarantee a more efficient service. This will result in lower gas consumption and CO2 cancellation quotas, greater electricity production and improved exploitation of the Cricoli geothermal well. In addition, a significant portion of the investments was allocated to the restoration of the cogenerators at the Forte Procolo and Cricoli plants.

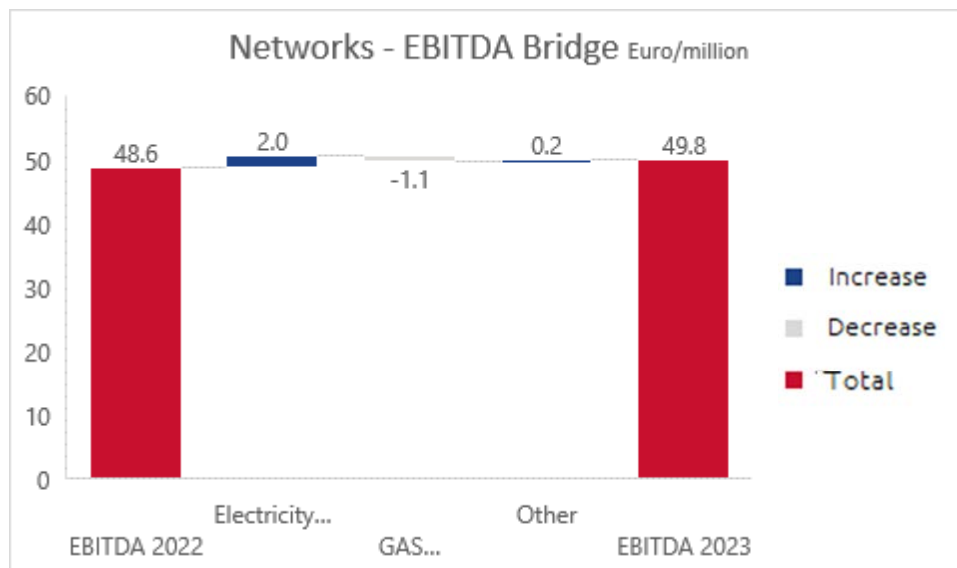
Networks Business Unit

The Networks Business Unit deals with the management of the gas and electricity distribution and metering service.

Income Statement	2023	2022	Change	% change
Value of production	125	121	3	3%
Costs of production	(75)	(73)	(2)	3%
EBITDA	50	49	1	2%
EBITDA Margin	40%	39%		
EBIT	21	21	-	-1%
EBIT Margin	18%	17%		
EBT	16	20	(4)	-21%
EBT Margin	13%	17%		
Tax for the year	(4)	(5)	2	-31%
Profit	12	15	(3)	-18%
Profit/VoP	10%	12%		

As at 31 December 2023, revenue for the period amounted to Euro 125 million, an increase (+3%) compared to the previous year when extraordinary revenue of over Euro 5 million was recorded for gas distribution. The number of active Redelivery Points/Points of Delivery is basically unchanged.





The EBITDA amounted to Euro 50 million, recording an increase of 2% compared to the previous year. Net of extraordinary revenue in 2022, the improvement was over 14% and was achieved thanks to the strong focus on keeping operating costs down for the benefit of investment activities.

In 2023, investments reached record levels, with a total of more than Euro 65.4 million. This significant increase compared to 2022 was driven by the acceleration towards energy transition that entails the need to increase the capacity, resilience and efficiency of the energy infrastructure.

Here is an overview of the main investments in 2023:

- Euro 37.8 million regarding the distribution of electricity, which mainly concerned works to develop and increase the capacity of the grid and accommodate new production from renewable sources, new 20 kV medium voltage lines for the Olympic event and for the upgrading of the historic centre and the construction of new primary substations (called "Marangona" and "Pace 2");
- Euro 23.4 million for the distribution of gas, which mainly concerned the replacement of old pipelines, the modernisation of networks and the safety works on connections, and investment in the innovative Picarro technology for the planned search for natural gas leaks;
- Euro 4.1 million relating to other investments, including, in particular, the implementation of the new ADMS (Advanced Distribution Management System) platform for the real-time monitoring and management of the electricity network in Verona and Vicenza. This cutting-edge technology is fundamental for the digital transformation of the electricity network, in particular it will improve the management of emergency responses and reduce losses by optimising the network structure.

Market Business Unit

The Market Business Unit is the reference commercial unit for the sale of natural gas, electricity and district heating. With about 850,000 active supply points and a presence throughout Italy, the BU serves households, businesses, entities and the public administration and wholesalers. The Group's Market segment is characterised by a strong customer focus and a commitment to supplying high value-added services.

As regards electricity, 2023 recorded a reduction (-2.4%) in the number of supplies managed, amounting to 530 thousand as at 31/12/2023, and in total volumes sold (-19.7%) equal to 4.6 TWh during 2023. This trend is mainly as a result of the reduction in reseller counterparties, a choice made at the end of 2022 with the aim of reducing the Company's risk and credit exposure at a time of particular price tension.

In December 2022, AGSM AIM Energia was awarded the contract for one of the 12 lots in the gradual protection service to supply electricity to micro enterprises for the period from 1 April 2023 to 31 March 2027 in: Liguria, Biella, Cuneo, Turin.

In 2023, AGSM AIM Energia Spa participated in the Consip "Convenzione Energia Elettrica 21" (Electricity Agreement 21) tender, winning Lot 1 (Piedmont and Val d'Aosta), Lot 4 (Trentino-Alto Adige and Friuli-Venezia Giulia), Lot 7 (Sardinia, Liguria never previously supplied), Lot 14 (Puglia, Basilicata) and Lot 17 (Italy).

On the contrary, the gas sector recorded a significant increase in volumes sold compared to 2022 (+27.6%), closing the 2023 financial year with 565 million cubic metres sold and 322 thousand supply points (+1% compared to 2022).

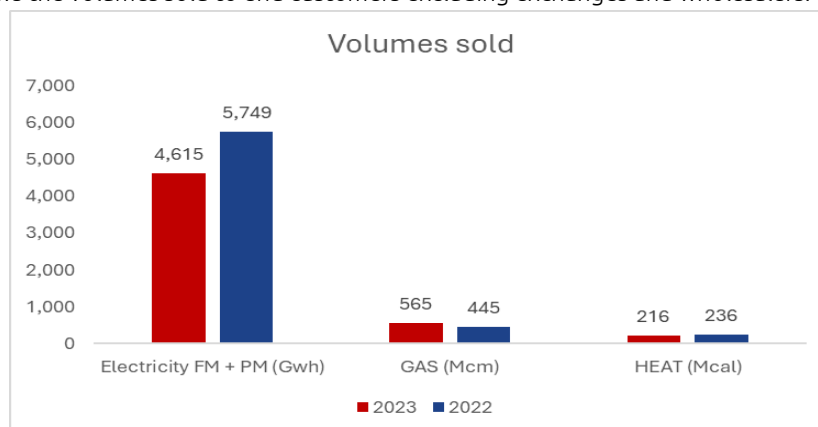
AGSM AIM Energia also participated in the Consip "Convenzione Gas Naturale 15bis" (Natural Gas Agreement 15bis) tender, winning Lot 1 (Valle d'Aosta, Piedmont, Liguria) and Lot 10 (Puglia, Basilicata), which are added to Lot 6 (Tuscany,

Umbria, Marche) and Lot 12 (Italy) awarded in October 2022 with the Consip “Convenzione Gas Naturale 15” (Natural Gas Agreement 15) tender.

There was a slight decrease in the quantities of heat sold, which, given the stability in the number of customers served, was due to the reduction in unit consumption or milder 2023 temperatures compared to the previous year.

The year 2023 showed a decrease in the value of production compared to the year 2022 (-38%) linked to the sharp reduction in the average prices of energy commodities. In fact, 2022 was characterised by very high prices, with a maximum peak in August 2022 and a gradual reduction in the second part of the year, a trend that was consolidated during 2023.

The chart below shows the volumes sold to end customers excluding exchanges and wholesalers:



Income Statement	2023	2022	Change	% change
Value of production	1,829	2,955	(1,126)	-38%
Costs of production	(1,762)	(2,910)	1,148	-39%
EBITDA	67	45	22	49%
EBITDA Margin	4%	2%		
EBIT	50	25	24	97%
EBIT Margin	3%	1%		
EBT	43	24	19	80%
EBT Margin	2%	1%		
Tax for the year	(13)	(7)	(6)	83%
Profit	30	17	13	79%
Profit/VoP	2%	1%		

EBITDA recorded a growth compared to 2022 of Euro 22 million mainly for electricity sales activities that benefited from a significant reduction in costs related to the management of profiles and balancing and the activity, started in the second half of the year, for making the most of and maximising customer base segments with a higher added value, with a redefinition of the product portfolio and pricing.

Starting from August 2023, priority was given to the convergence process of billing systems: in fact, an acceleration was given to the migration, now completed, of the former AIM Vicenza customer base within the former AGSM Verona applications.

In September, targeted commercial actions were launched on specific segments through the proposal of products with higher added value, with the aim of containing the churn rate and maximising overall margins.

Particular attention was also paid to the management of the gas and electricity portfolio and the methods and conditions of “sourcing” (in particular of gas), with the achieved goal of minimising the risks associated with price volatility and significantly reducing purchase spreads.

In 2023, the commercial collaboration relationship with important Associations and Consortia operating nationwide in the business, small business and domestic segment was further strengthened and intensified, confirming the goodness of the commercial proposals and the company’s ability to compete in the market with important levels of service quality and offers that are absolutely transparent and competitive.

During the second part of 2023, the lines of action and development that will characterise the following two years were outlined, such as the definition of the new commercial model of AGSM AIM Energia, the completion of the convergence process of the billing systems - the first necessary and preparatory step towards launching the digital transformation project of the entire application map - the review of customer care and credit management processes.

Investments for the year amounted to Euro 1.7 million and accounted for 1% of the Group’s overall investments.

Smart Business Unit

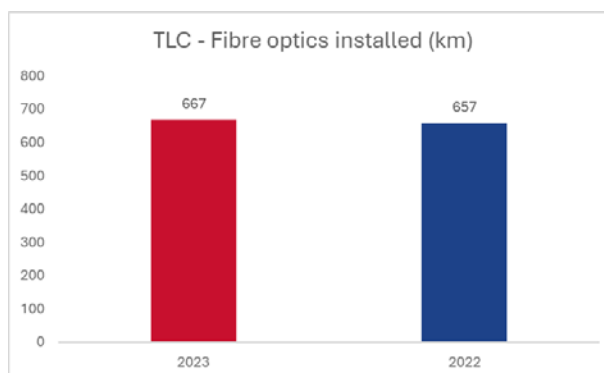
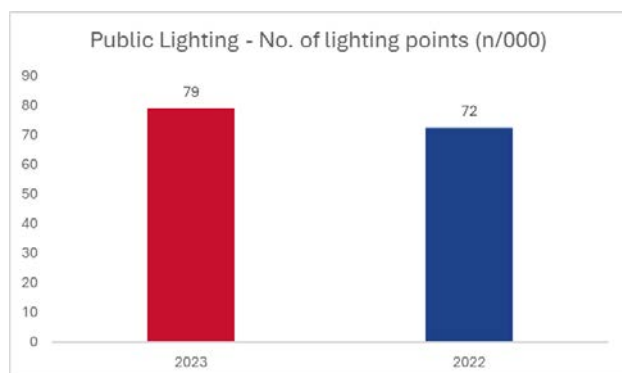
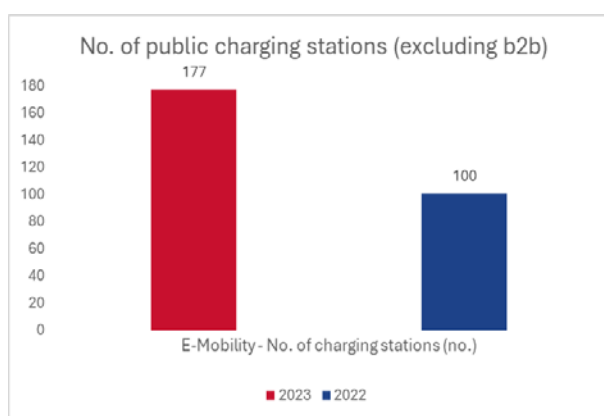
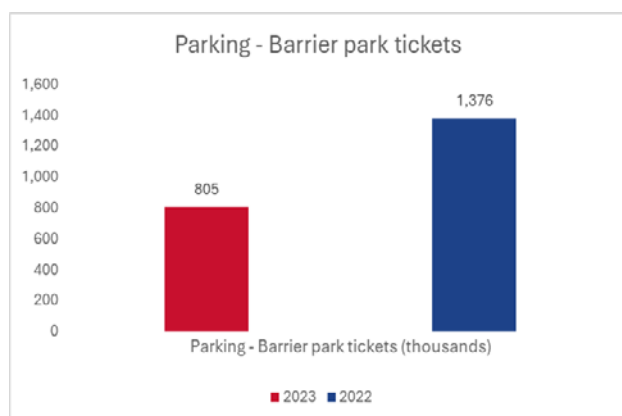
AGSM AIM Smart Solutions operates in the areas of public lighting, telecommunications, parking, energy efficiency and e-mobility.

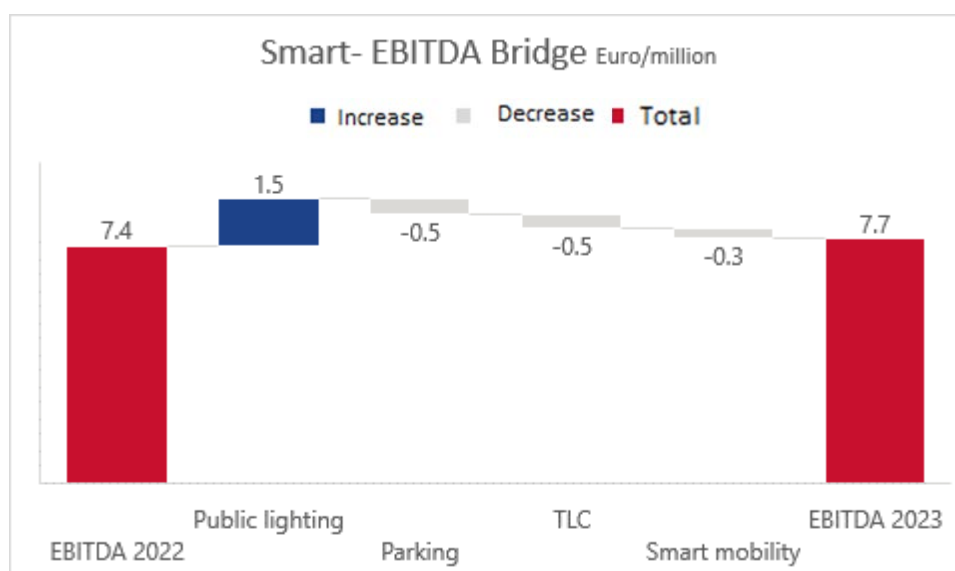
Income Statement	2023	2022	Change	% change
Value of production	20	23	(3)	-12%
Costs of production	(12)	(15)	3	-19%
EBITDA	8	7	-	3%
EBITDA Margin	38%	33%		
EBIT	3	3	-	-9%
EBIT Margin	14%	14%		
EBT	3	3	-	-13%
EBT Margin	13%	14%		
Tax for the year	(1)	(1)	-	-4%
Profit	2	2	-	-16%
Profit/VoP	10%	11%		

As at 31 December 2023, the financial statements recorded a profit of Euro 2 million, in line with the previous year, after making amortisation, depreciation, accruals and impairments of Euro 4.8 million.

EBITDA amounted to Euro 7.7 million, equal to 37% of the value of production.

In 2023, the stabilisation of the price of electricity was particularly important, compared to the strong fluctuations recorded in 2022. The value of the cost of energy had as a direct consequence the remodulation of the fees applied to the Granting Bodies, affecting the volume of revenue of the Public Lighting business line.





The margins were positively affected by the improved efficiency of the lighting points and, therefore, the operating margin generated by the Public Lighting division increased by Euro 1.5 million compared to the previous year. The margins of the e-mobility division were also improving, although still negative as it is an activity still under development, thanks to the payment of the charging service in the latter part of 2022.

Investments for the year amounted to Euro 4.6 million and accounted for 4% of the Group's overall investments.

Environment Business Unit

During the 2023 financial year, the Environment Business Unit was subject to several reorganisation processes, the main one being the exit, in November 2023, of the urban waste collection activity carried out by AMIA Spa. There were other processes modifying the company structures, in particular SIT sold the "collection" business units to SERIT and Valore Ambiente respectively, while AGSM AIM Ambiente acquired from LeSe the remaining 50% of the DRV equity investment by proceeding to rent the related activities to the MEG Company. The numbers of the BU are in line with expectations; growth will only be possible after the development of the new plants, which are currently being authorised.

The forward-looking view of the BU starts from the awareness that current legislation does not lead to the renewal of waste collection concessions, but, as happened for AMIA, SERIT and Valore Ambiente are also destined, within a few years, to leave the Group, most likely to become "in-house" companies. The role of Environment BU is to develop environmental systems at the service of these companies, as well as of the local water companies for the treatment of various waste flows.

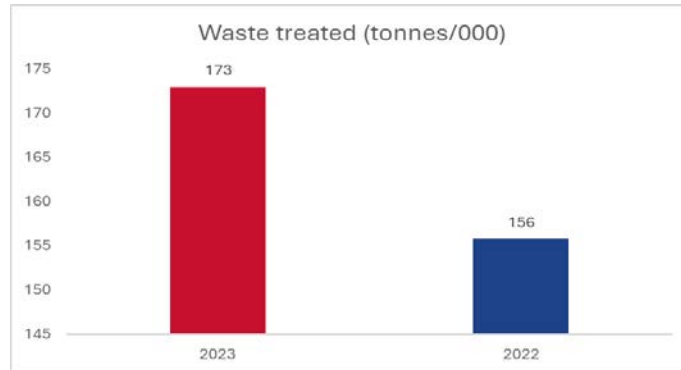
In the line "Profit from discontinued operations", in accordance with IFRS5, the income statement for 2023 and 2022 of AMIA Spa, which left the scope of consolidation of the Group in November 2023, is summarised form.

Income Statement	2023	2022	Change	% change
Value of production	95	90	4	5%
Costs of production	(85)	(82)	(2)	3%
EBITDA	10	8	2	27%
EBITDA Margin	10%	9%		
EBIT	3	2	1	52%
EBIT Margin	3%	2%		
EBT	3	2	-	3%
EBT Margin	3%	3%		
Tax for the year	(1)	-	-	0%
Profit	2	2	-	-9%
Profit from discontinued operations	1	-		
Profit including discontinued operations	3	3		
Profit/VoP	3%	3%		

As at 31 December 2023, revenue for the period amounted to Euro 94.6 million, a slight increase (+5%) compared to the previous year, mainly due to the change in fees. EBITDA amounted to Euro 9.9 million, up (+27%) on the previous year.

The higher revenue was mainly for the management of the environmental health service for Valore Ambiente and Ecotirana, as well as higher revenue from taking waste to the SIA landfill in all cases following the waste pricing update as in the MTR2.

The investments for the year amounted to Euro 9.9 million, mainly for vehicles and equipment for the collection and sweeping service and for the Biomethane contract, which amounted to Euro 1.6 million.



1.9 Summary of the Parent Company's income statement and balance sheet figures

The financial statements of AGSM AIM Spa have been prepared in accordance with the International Financial Reporting Standards in force at 31 December 2023.

The following table shows the main income statement results achieved in 2023.

INCOME STATEMENT	2023	%	2022	%
Revenue	64,151	100%	72,053	100%
Revenue from sales and services	59,826	93%	63,965	89%
Other revenue	4,325	7%	8,089	11%
Operating costs	48,565	76%	57,198	79%
Raw materials and consumables	2,665	4%	8,375	12%
Services	40,874	64%	42,869	59%
Leases and rentals	2,482	4%	2,022	3%
Other operating costs	2,544	4%	3,933	5%
Added value	15,586	24%	14,855	21%
Personnel costs	18,937	30%	18,099	25%
EBITDA	(3,351)	5%	(3,244)	5%
Amortisation, depreciation, and provisions	12,427	19%	12,484	17%
Amortisation and depreciation	12,095	19%	12,059	17%
Other provisions	332	1%	425	1%
Net operating income	(15,778)	25%	(15,728)	22%
Financial position	54,743	85%	27,566	38%
Income from equity investments	64,083	100%	29,894	41%
Financial income	21,382	33%	5,795	8%
Financial expenses	(30,982)	48%	(8,193)	11%
Adjustments to financial assets	260	0%	70	0%
Pre-tax profit (loss)	38,965	61%	11,838	16%
Income taxes	(4,316)	7%	(2,404)	3%
Profit (loss) from operations	43,282	67%	14,242	20%
Profit (loss) from discontinued operations, net of tax effects	1,255	2%	-	0%
Profit (Loss) for the year	44,537	69%	14,242	20%

- **Revenue** amounted to Euro 64,151 thousand, with a variation of Euro 7,902 thousand (or -11%) compared to 31 December 2022;
- **added value**, i.e. the difference between revenue and external costs, amounted to Euro 15,586 thousand and was in line with the figure in the previous year;
- the **value of amortisation and depreciation** amounted to Euro 12,095 thousand in line with the value in the previous year;
- **income from equity investments** amounted to Euro 64,083 thousand, compared to Euro 29,894 thousand in the previous year;
- **net financial charges** amounted to Euro 9,600 thousand compared to Euro 2,398 thousand in 2022;
- **profit (loss) from discontinued operations, net of tax effects**, was attributable to environmental health activities sold during 2023;
- **net profit** amounted to Euro 44,537 thousand compared to Euro 14,242 thousand in the previous year.

In 2023, net operating income amounted to Euro -15,778 thousand and was in line with the 2022 value.

The result in terms of net operating income is offset by income from equity investments for an amount of Euro 64,083 thousand, which refers to the 2022 results of the subsidiaries, dividends that are up sharply compared to the value recorded in the previous year.

The tax benefit amounted to Euro 4,316 thousand (an increase of Euro 1,912 thousand compared to 2022) and was mainly composed of income from tax consolidation.

AGSM AIM Spa's 2023 net profit amounted to Euro 44,539 thousand, an increase of Euro 30,294 thousand compared to 2022.

The financial position of AGM AIM Spa can be summarised as follows in terms of changes in invested capital and sources of financing:

	2023	%	2022	%
INVESTED CAPITAL				
Net non-current assets				
Intangible assets	81,742		87,735	
Property, plant and equipment	84,125		79,480	
Equity investments and other non-current financial assets	673,138		675,071	
Deferred tax assets/liabilities	3,842		4,635	
Employee benefits	(6,947)		(9,143)	
Provision for risks and charges	(7,316)		(7,678)	
Other non-current assets/liabilities	(10,624)		(14,328)	
Total net non-current assets	817,960	96%	815,773	96%
Net operating capital				
Short-term assets				
Inventories	603		641	
Trade receivables	39,414		34,464	
Other current assets	64,563		73,700	
Total short-term assets	104,580		108,805	
Short-term liabilities				
Trade payables	(20,040)		(33,678)	
Other current liabilities	(54,450)		(45,068)	
Total short-term liabilities	(74,491)		(78,746)	
Total net operating capital	30,089	4%	30,059	4%
TOTAL INVESTED CAPITAL	848,049	100%	845,832	100%
SOURCES OF HEDGING				
Equity				
Share capital	(95,588)		(95,588)	
Legal reserve	(16,348)		(13,139)	
Other reserves	(431,149)		(456,179)	
Profit (loss) for the year	(44,537)		(14,242)	
Total equity	(587,622)	69%	(579,148)	68%
Net Financial Position				
Short-term net financial position	(108,010)		(56,343)	
Medium/long-term net financial position	(152,417)		(210,341)	
Total net financial position	(260,427)	31%	(266,683)	32%
TOTAL SOURCES	(848,049)	100%	(845,832)	100%

1.10 Significant events after the reporting period

Extraordinary transactions

On 24 January 2024, as part of the corporate reorganisation plan within the AGSM AIM Group, aimed at the consolidation of the Environment BU and with a view to the rationalisation of existing and operating companies in the environmental sector, AGSM AIM Ambiente S.r.l. was the beneficiary of the partial demerger through the spin-off of the Parent Company AGSM AIM S.p.A. with the assignment of the Business Unit called "Ca' Del Bue", which mainly includes the real estate complex located in Verona relating to the treatment plant for organic waste and equity investments in the companies Valore Ambiente S.r.l. (100%) and Si.Ve. S.r.l. (25%).

On 26 January 2024, the equity investment in the associated company Bovolone Attiva S.r.l. was sold.

On 10 July 2023, the Board of Directors of AGSM AIM S.p.A. resolved to acquire the 49% equity investment in EcoTirana Sha held by AGSM AIM Holding Albania Sh.A., a company whose liquidation has been decided. The deed of sale of the equity investment was signed on 4 April 2024. Once all the obligations following the sale have been completed, the liquidation of AGSM Holding Albania Sha will be completed in the current year 2024.

Further corporate rationalisations are planned in the environmental sector; they will be finalised during the current year.

Appeal pursuant to Article 2409 of the Italian Civil Code brought by the Board of Statutory Auditors

As regards the points raised in the report on the financial statements of the previous year, it should be noted that by decree of 6 July 2023, the Court of Venice – Company Law Section rejected the appeal.

Financial aspects

In February 2023, the Parent Company entered into two SACE-guaranteed loan agreements with a pool of seven banks, one for Euro 250 million due on 31/12/2026 and the other, a Revolving Credit Facility (RCF) for Euro 100 million, due on 31/12/2025, aimed at supporting working capital requirements and supplementing pre-existing credit lines. The favourable situation of energy product prices in the second part of the 2023 financial year and in the first months of the 2024 financial year resulted in a lower financial need for working capital than assumed with a progressive and significant reduction in bank exposure, which as at 31 March 2024 was further reduced by more than Euro 20 million compared to the net financial position as at 31 December 2023.

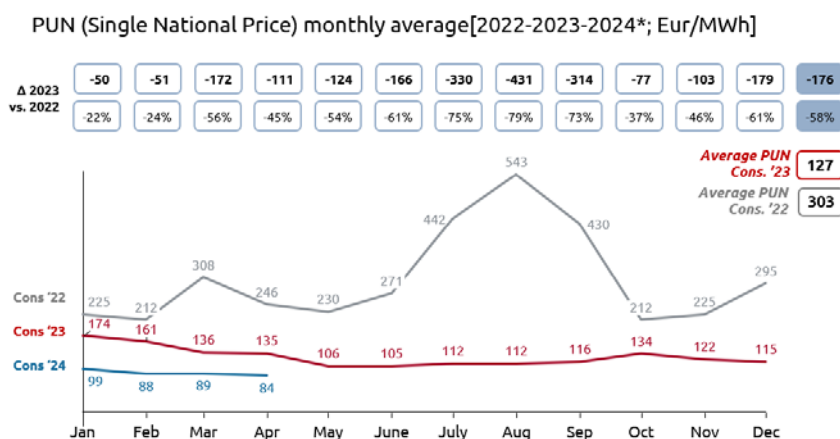
Consequently, the above lines were extinguished early in October 2023 and February 2024, respectively.

Energy product prices and the continuing uncertainty related to the Russia-Ukraine war

The chart below shows the trend of the PUN (Single National Price) in the early months of 2024. Although prices are still higher than historical values, it shows a significant reduction compared to the year 2023 and 2022.

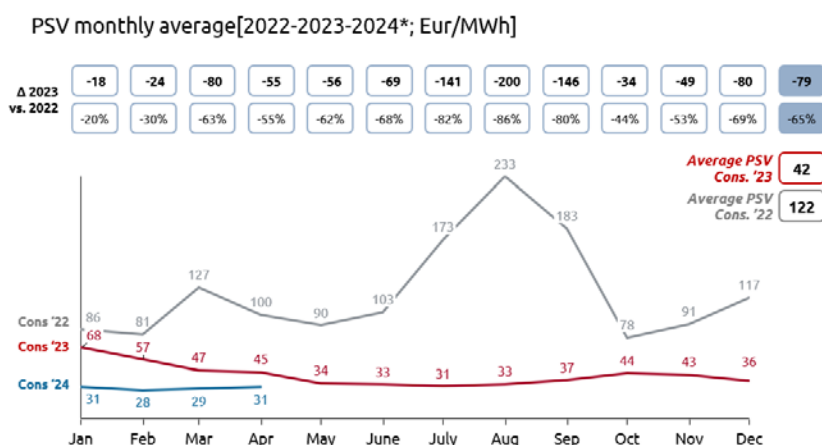
The average PUN for the first four months of 2024 stood at Euro 90/MWh compared to a 2023 average price of Euro 127/MWh, reaching an average value of Euro 84 in April, the lowest since January 2022.

I Single National Price



The same situation applies to gas prices on international markets; the chart below shows the PSV (Virtual Trading Point) from January 2022 to 30 April 2024.

I PSV (Virtual Trading Point) Index



1.11 Mandatory information pursuant to Article 2428 of the Italian Civil Code

Related-party transactions and operating performance of the Parent Company (Article 2428, paragraph 3, point 2)

The controlling entities are the Municipality of Verona and the Municipality of Vicenza which, at 31 December 2023, held the total shares for a value of 61.2% and 38.8% of the share capital, respectively.

The Group exercised the exemption granted in paragraph 25 of IAS 24. Therefore, it does not have to make the disclosures listed in paragraph 18 of IAS 24 in regard to related party transactions and outstanding balances, including commitments to the City of Vicenza and its subsidiaries.

For more information, note that:

- The payables to the Municipalities refer mainly to dividends approved and not yet paid and sundry concession fees.
- Trade receivables due from the Municipalities refer to services provided by the companies belonging to the various Business Units. The most significant values relate to urban health services, public lighting and energy supplies.

Management and coordination activity

With effect from 1 January 2021, the Group is headed by the holding company AGSM AIM S.p.A., which carries out the main management and coordination activity for the leading Group companies.

Taking into account the description given in the previous paragraph, in 2023 AGSM AIM S.p.A. carried out management and coordination activities, pursuant to Articles 2497 et seq. of the Italian Civil Code, for all the following Group companies:

- V-RETI SpA, 99.83% owned
- AGSM AIM ENERGIA Spa, 96.27% owned
- AGSM AIM SMART SOLUTIONS Srl, 100% owned
- AGSM AIM CALORE Srl, 100% owned
- AGSM AIM POWER Srl, 100% owned
- AGSM AIM Ambiente Srl, 100% owned
- AGSM HOLDING ALBANIA Sha, 75% directly owned and 25% indirectly
- Valore Ambiente Srl, 100% owned
- CogasPiù Energie Srl, 60% indirectly owned
- Consorzio Industriale Canale G. Camuzzoni di Verona Scarl, 75% indirectly owned
- Parco Eolico Riparbella Srl, 63% indirectly owned
- Parco Eolico Carpinaccio Srl, 63% indirectly owned
- Juwi Development 02 Srl, 100% indirectly owned
- Juwi Development 08 Srl, 100% indirectly owned
- TRANSECO Srl, 100% indirectly owned
- SER.I.T Srl, 99.74% indirectly owned
- DRV Srl, 100% indirectly owned
- Società Igiene Territorio Spa, 100% indirectly owned
- Tre V Ambiente Srl, 100% indirectly owned, incorporated into TRANSECO srl on 01/01/2024

- ECO TIRANA Sha, 49% indirectly owned
- Società Intercomunale Ambiente Srl, 49% indirectly owned
- Amia Verona Spa until 29/11/2023, date of sale of the shareholding to Amia Vr Srl, a company 100% controlled by the Municipality of Verona

The management and coordination activity of the Parent Company has effect mainly through the appointment of the Sole Director or the Boards of Directors. AGSM AIM SpA., through its own structures, provides the subsidiaries with support for the proper performance of their management and administrative activities. These circumstances, together with the application of economic conditions established through the application of the so-called cost-plus method, mean that the relationship between each individual Company, the Parent Company and the other subsidiaries is focused on fairness and transparency, compliance with group policies and the search for efficiency and cost-effectiveness. As a result of the management and coordination activity of each Company, management is carried out within an economic and financial budget shared by the Parent Company and in accordance with operational planning and control tools at Group level. The parent company AGSM AIM S.p.A., within the scope of the law and the provisions of the Articles of Association, also provides support to the company's business through financial support and coordination activities. The management and coordination activity by the Parent Company is carried out in compliance with the decision-making, management and organisational autonomy of the Independent Manager, V-Reti S.p.A., which carries out its own assessments on the issues raised.

1.12 Treasury shares or shares or quotas of parent companies (Article 2428, paragraph 3, point 3-4)

The holding company AGSM AIM Spa does not hold any treasury shares or shares or quotas of the parent company entities.

1.13 Outlook (Article 2428, paragraph 3, point 6)

The outlook for the individual business units in 2024 can be summarised as follows:

Networks BU

Following the work in 2023, the replacement of gas meters, the remote reading of gas supplied to customers equipped with electronic meters, and the development and extension of the electricity and gas network have continued, involving significant investments, especially for the digitisation of the networks themselves.

With regard to gas distribution tenders, the reference company for the Networks BU is present in the following areas:

- Verona 1 - City of Verona and North: 11 April 2017 (expired);
- Vicenza 4 - Valleys of Agno and Chiampo: 11 March 2017 (expired);
- Mantua 1 - City of Mantua and North - West: 11 February 2019 (expired).

The contracting authority of Vicenza 4, with executive decision of 28/03/2019, ordered the start of the restricted procedure

for the public tender for the Atem methane gas distribution service, approving the call for tenders.

The deadline for submitting applications to take part has been extended to 30/11/2024.

Following the award of the tender, in some Municipalities the maintenance services will be managed of the networks under concession to the gas distributor Uniservizi, as from 1 January 2024.

During 2023, a project was launched for the outsourcing of the technical call centre service for the distribution of electricity, and the contract is expected to be awarded by the end of the first quarter in 2024.

Finally, with reference to the changes to the ARERA regulatory framework, it should be noted that for the year 2024 the rate of return on invested capital has been updated for both the gas and electricity distribution and measurement sectors with resolution 556/2023/R/com according to the criteria already provided for by the TIWACC, which will result in a decided increase in tariff revenue from remuneration, since the WACC has moved from 5.2% to 6% in the electricity sector and from 5.6% to 6.5% in the gas sector.

Market BU

The development guidelines for 2024 have been defined, with the primary objective of embarking on a digital transition process, so as to equip the BU with new tools that will enable it to compete in the market through the structuring and marketing of new products and the truly efficient management of the customers, creating value for shareholders and stakeholders.

Although the micro-business and mass market segments currently maintain a good degree of customer loyalty, the rapid evolution of the market will lead to an increase in competitive pressure with a potential impact on the churn rate.

The action of competitors and the gradually increasing market maturity means that a development path needs to be pursued by acquiring new customers outside the territory as well as by developing non-commodity products. In light of the changed market scenario and the foreseeable future developments, the following lines of action have been identified:

- review of customer management processes in order to improve service quality and maximise retention capacity;
- organic expansion with growth of the customer base through commercial campaigns entrusted to direct and indirect sales networks;
- opening new sales channels with exploration to integrate the current ones;
- diversification of sales channels, with exploration to integrate the current ones, with the aim of balancing and diversifying the type of customers acquired;
- integration of the product portfolio with new value-added services (VAS);
- continuous market scouting activities to identify opportunities for acquisition of company branches or shares or quotas of small/medium-sized companies operating in the sectors of energy marketing, energy efficiency and non-commodity products;
- management of the partner reseller segment (i.e. sale of electricity directly at PODs to customers managed by the buyer);
- launch of the process of digital transformation to improve processes and offer new services to customers.

Environment BU

The corporate reorganisation within the AGSM AIM Group is continuing in 2024, aimed at consolidating the Environment BU and rationalising the companies operating in the environment sector. The current legislation will not allow the renewal of waste collection concessions, therefore, as already implemented for the company AMIA S.p.A., Ser.it S.r.l. and Valore Ambiente S.r.l. are also destined in the short term to leave the Group to probably become “in-house” companies. The role of Environment BU is to develop environmental systems at the service of these companies.

Smart BU

During 2024, the process of consolidation of activity in the following sectors is continuing: public lighting, where the Group's commitment is aimed at the design, construction and maintenance of lighting systems, using cutting-edge technologies and with attention to the circular economy and sustainability; telecommunications, in which the Group offers connectivity services for individuals and companies; and paid parking in the car parks located in the Municipality of Vicenza.

Alongside these more traditional business lines, the process of developing innovative business lines will also continue for the energy efficiency of buildings and plants and for charging services of electric cars.

In particular, during 2024, a positive EBITDA is expected for the business lines related to electric mobility and energy efficiency. With regard to the Public Lighting business, it is expected that, during 2024, new formulas for the adjustment of fees will be agreed with the Granting Bodies, due to the disappearance of the reference indicator for changes in the cost of electricity. The focus will also be on consolidating the traditional businesses by enhancing the BU's commercial presence and assessing M&A transactions.

Power and Heat BU

The energy landscape of 2024 will be influenced by a number of factors, from geopolitics to technological and regulatory innovations, which could redefine the sector in significant ways. In particular, there are still in the new financial year considerable uncertainties arising from the significant fluctuations in the cost of energy on an international market that continues to face serious tensions.

In this context, the Power BU will continue to pursue its objective of increasing the installed capacity from renewable sources, both through the achievement of autonomous plant development initiatives and through the evaluation of any market opportunities.

The Heat BU, in turn, will continue the process of improving the efficiency of the current series of plants and developing projects aimed at using alternative energy sources to natural gas. In addition, the impacts of the new tariff regulation mechanism announced by ARERA will be assessed.

1.14 Main risks and uncertainties to which the Group is exposed (Article 2428, paragraph 2, point 6 bis)

Risks and uncertainties arising from the reference context in which the Group operates

2023 was characterised by a sharp slowdown in the Italian economy, which saw GDP grow by only 0.7% overall, significantly lower than the growth recorded in 2022, which was 3.7%. The result is representative of a number of effects and, in particular, the consequences of inflation (+5.7% at the end of 2023, down from +8.7% in 2022) and the increase in interest rates, which helped to reduce consumption and investment.

More generally, the international context has been influenced, among other things, by the persistence of the Russia-Ukraine conflict, in addition to the new Israel-Hamas conflict, which broke out following the attack launched by the Palestinian extremist organisation on 7 October followed by the heavy military counter-offensive in the Gaza Strip initiated by the Tel Aviv government. Both these conflicts have contributed to increased tensions in international relations between the East and West of the World and, in particular, in the Middle East. With particular reference to the first of the aforementioned conflicts, this has undoubtedly had significant implications in terms of Europe achieving its objectives for climate neutrality. We have been forced to increase carbon emissions to continue providing affordable energy to consumers and businesses. This conflict has highlighted one of the biggest challenges facing European governments: energy security. This has led to changes in government policies in order to promote energy transition, remove some of the bureaucratic obstacles to the construction of new power plants and explore all alternatives to fossil fuels. Among the latter, alternative renewables in particular become more attractive, and in the perennial struggle for energy independence, we can expect further growth in the demand for renewable energy infrastructure (which the Group has focused on for some time now).

In addition to the evolution in the macroeconomic situation, 2023 set a new negative record, becoming the hottest year since temperatures have been recorded regularly, confirming global warming as one of the major threats to the well-being of people and the health of our planet. Unfortunately, in addition to the effects deriving from the increase in average temperatures, the impacts deriving from extreme weather phenomena have been increasingly affecting our country, as we saw in Emilia-Romagna with damage amounting to several billion euros caused by flooding.

Within the context briefly outlined above and also in consideration of the recommendations issued by the financial market supervisory authorities (ESMA and CONSOB), the AGSM AIM Group confirms its commitment to contribute actively to the energy transition programme thanks to the commitments made during the year and planned for the coming years, keeping economic indices, raw material prices and interest rates constantly monitored in order to reduce the negative impacts that may arise both on the performance of our Group and on the final consumers who benefit from our services.

The high volatility of energy and gas commodity prices that had been a feature of the year 2022, has progressively come down to low levels and almost comparable to those prior to the war between Russia and Ukraine. Nevertheless, the corporate functions in charge of procurement, in collaboration with the administrative, financial, strategic planning and business control support functions, ensured constant monitoring of developments in the commodities market. This allowed them to assess and estimate the impact that the gradual fall in gas and energy prices had on the Group's performance in 2023, also in light of a strongly evolving regulatory framework (i.e. new embargoes of products to and from Russia, the "Sostegni" Decree and "Taglia prezzi" Decree, consumer bonuses and extraordinary solidarity subsidy etc.).

This trend of falling gas and energy prices had a mainly financial impact, which led to a sizeable reduction in the Group's NFP, as shown in the specific paragraph.

Strategic risks

The AGSM AIM Group has a Business Plan that defines the strategic guidelines and industrial objectives that were used to determine a set of economic, equity and financial benchmarks, arranged also in compliance with the ESG aspects, capable of ensuring the achievement of long-term sustainable success for both shareholders and other stakeholders. These objectives refer to:

- improving the efficiency of the Group organisation and processes;
- development (investments in regulated and quasi-regulated sectors, increase in the customer base, energy efficiency);
- new investment initiatives for energy transition, innovation and decarbonisation (energy production from renewable sources, smart services, charging stations, building redevelopment);
- consolidation of the regulated sectors (renewal of concessions for the distribution of gas, resilient networks, and management of environmental health services for waste collection);
- organic growth;
- external growth (mergers and acquisitions);
- circular economy and sustainability.

The company functions responsible for the management of strategic planning and management control activities periodically update their forecasts and monitor business performance, constantly verifying and evaluating any differences between the final results recorded and those scheduled, promptly activating the appropriate corrective actions.

Economic and social-environmental context risk

The Group's activities are sensitive to economic cycles and general economic conditions in the country the Group operates in. A slowdown in the global and/or local economy could lead, for example, to a drop in consumption and/or industrial production, which could have a negative effect on the demand for electricity and the other products offered by the Group, thus reducing its results and prospects and slowing down or complicating the implementation of planned development strategies. In addition, the operations of sites and facilities, their profitability, the implementation of programmes for the adaptation or conversion of certain plants rather than for growth in certain business areas, planned by the Group, could be hampered by possible actions brought by some stakeholders that are not in favour of the presence of sites and facilities due to a negative perception of the Group's activities in the areas served.

With regard to the Power, Heat, Environment, Networks and Energy Business Units, it is worth pointing out the importance of the issue of managing relations with certain stakeholders relating to the management and maintenance of plant efficiency, the expansion of existing plants, and the construction of new renewable energy production plants, such as the wind farm soon to be built in Tuscany at Monte Giogo di Villore (FI). To monitor these issues, the Group engages in a constant dialogue with local communities and the relevant authorities, also by participating in public debates, special press conferences and communication and awareness campaigns.

In addition, it should be noted that the Group companies which are engaged in the public lighting business and in the management of waste collection, street cleaning and other essential services for the environment, hygiene and decorum of cities, pay particular attention to the quality of the services they provide, also with a view to continue being awarded contracts in the areas already served and to win contracts for the same services in new areas. In order to maintain and develop the market position of these services and consequently retain and expand the company's business, organisational structures have been defined that are dedicated to the constant monitoring of opportunities and the effective and efficient management of tenders.

Credit risk

Credit risk is the Group's exposure to potential losses deriving from the failure of counterparties to fulfil the obligations they have taken on. There are no significant concentrations of credit risk, since this risk is mitigated by the fact that credit exposure is spread over a particularly wide range of customers. The financial assets referring to trade receivables are recognised on the statement of financial position net of the allowance for doubtful accounts calculated on the basis of the risk of counterparty default, which is determined in turn by considering available information on the solvency of the customer and considering historic and outlook data. Individually significant transactions, for which there is objective evidence of partial or total impossibility of recovery, are written down on an individual basis.

The gradually more modest volatility and the downward trend in energy and gas prices recorded during 2023 led to a reduction in the value of production with a consequent decrease in the volume of receivables from customers, particularly with reference to the Energy Business Unit, which sells gas and electricity to end customers.

In this context, the corporate Functions in charge of managing and monitoring the Group's credit exposure ensure adequate governance of credit risk and, in general of counterparty risk, having defined and implemented specific customer lending policies. Customers have been subjected to an analysis of the counterparty's characteristics and expected creditworthiness, also activating specific preventive countermeasures aimed at reducing the level of credit risk exposure (e.g. requesting insurance guarantees and/or bank sureties, advance payments, etc.).

Liquidity risk

Liquidity risk refers to the possibility that an organisation, despite being solvent, is not able to meet its payment commitments or obtain financial resources or in any case can only do so under unfavourable conditions.

The two main factors that determine the Group's liquidity are, on the one hand, the resources generated and/or used by its operating and investment activities and, on the other, the maturity and renewal dates of the financial debt. In order to manage liquidity risk, the Group has adopted a series of policies and processes aimed at streamlining the management of financial resources, thus reducing liquidity risk: i) the centralised management of cash flows (so-called cash pooling); ii) the maintenance of an adequate level of available liquidity; iii) the financing of capital expenditures with long-term borrowing and the financing of current operations with short-term borrowing; iv) the monitoring of prospective liquidity conditions, in relation to the company's planning process.

Following an approach aimed at prudence in the management and mitigation of liquidity risk, also coordinated with the closely related dynamics of interest rate risk, the Administration and Finance Department ensures that the Group has adequate financial availability through the appropriate balance between short and medium-long term sources of

financing, at a fixed and variable rate, differentiated by the underlying operating activities and/or investment commitments provided for in the strategic development plan adopted by the Group.

Commodity risk

As part of its operations in commodity markets - in particular of gas and electricity - the Group entered into supply and delivery contracts for both purchase and sale. Prices may be fixed or vary depending on the changes in certain market parameters (i.e. price risk). Similarly, the Group is exposed to commodity risk in terms of volumes in the event that there is a difference between the quantities actually consumed by customers with respect to those initially provided for in the relevant sales contracts (customer profile) with a consequent imbalance in the sourcing and sales portfolios.

The Group is therefore exposed to a market risk linked to fluctuations in gas and electricity prices and the related volumes exchanged, with a direct impact on procurement costs, sales revenue, cash flows and, therefore, on the operating margin.

With specific reference to commodity risk management, the Group's main objective is to stabilise overall margins through active and informed management of this risk while guaranteeing the appropriate level of operational flexibility in the management of sourcing activities and portfolio imbalances. In addition, derivative contracts have been entered into to hedge the commodity risk.

Operational risks

Operational risk refers to the occurrence of adverse events that may cause losses resulting from shortcomings or inadequacies in company processes and procedures, organisational and human resource management, asset and system management, etc.

The monitoring of operational risks is ensured both by the individual organisational units that are required to define and formalise internal reference regulations for the management of operational processes and by specific support functions that specialise in the definition and implementation of "management systems" inspired by international standards. With reference to some of these systems, specific certifications have also been obtained (e.g. ISO 9001:2015 - Quality Management System, ISO 14001:2015 - Environmental Management System, ISO 45001:2018 - Occupational Health and Safety Management System).

By means of the operational risk governance model briefly described above, the Group intends to pursue a path of continuous improvement to ensure increasing levels of efficiency and effectiveness of operational processes. At the same time, it also aims to minimise the risk of possible negative events or penalties for non-compliance with the regulatory provisions that govern the management of business activities, also from a technical point of view.

Interest rate risk

Interest rate risk relates to both medium-to-long-term and short-term financing activities that are affected by the decisions made by the banking supervisory authority as part of the definition and periodic revision of the key interest rates carried out by the European Central Bank, and by the performance of the financial market and the spread applied to their customers by credit institutions.

Inspired by a prudent approach to the management of interest rate risk and in compliance with a predetermined level of balance between fixed and variable rate financing sources, the Group has implemented a centralised treasury management system through cash pooling that allows it to have adequate credit lines to finance the activities of its subsidiaries with contractually predetermined spread conditions on interbank rates. In addition, derivative contracts have been entered into to hedge the interest-rate risk.

Exchange rate risk

Exchange rate risk concerns the conversion of the financial statements of foreign subsidiaries, in particular with reference to Ecotirana SH.A., indirectly controlled through AGSM Holding Albania SH.A. (in liquidation). These financial statements are recorded in Albanian LEK and are therefore converted into EURO in order for them to be consolidated. The Group's foreign exchange risk is not particularly significant.

Climate change risks

The risks related to climate change may result in both a general increase in temperatures and the occurrence of extreme weather events, that are often unpredictable.

The general increase in average temperatures is likely to entail a reduction in energy consumption during the cold season (October to March) for heating purposes by end customers, with a consequent reduction in expected revenue from sales and generation of energy, which would only partially be offset by an increase in consumption for cooling purposes.

The occurrence of extreme and acute weather events could negatively affect different aspects related to company activities. By way of example, periods of prolonged drought would result in a lower than expected availability of water

resources for hydroelectric generation purposes and a lower quantity of weather systems needed for wind-powered production, compared to the expected values calculated on the basis of statistical estimates processed through historical records. Moreover, extreme weather events could compromise the integrity of the company's assets (e.g. power lines, generation and distribution systems) with consequent disruption for both end customers and the company itself. In addition, the level of accuracy of energy consumption forecasts, which are fundamental for the correct purchase and sale of commodities (i.e. electricity and gas), could be negatively influenced by events of an extreme or unpredictable nature.

In the current climate context, the concept of network resilience assumes particular relevance, a parameter that is becoming increasingly crucial to ensure the stability and sustainability of systems. The resilience of networks refers precisely to the ability of a system to maintain its functionality and adapt in response to disturbances or crises (such as snow clusters that can lead to short circuits; strong winds that can cause tree falls with consequent damage to infrastructure; air pollution that can give rise to unwanted and harmful deposits on the network lines).

The Company has for some time directed its corporate energy plan towards the development of ever-increasing amounts of energy generated from renewable sources, thus embracing an approach that is as environmentally friendly as possible. However, even these energy sources expose the Company to a series of climatic risks, especially related to wind and sunlight systems on which the volumes of energy produced in the year may depend to a large extent.

In the face of such eventualities, the Group's competent corporate structures and functions are committed both to ensuring the maintenance and operational efficiency of our plants and infrastructures, and being constantly engaged in climate monitoring activities to ensure maximum production efficiency in our plants and the lowest possible energy consumption.

With specific reference to district heating services, the monitoring consists of the presence of company units dedicated to the constant updating of demand forecasts in relation to expected temperature trends (day by day) as well as the consequent management and optimisation of heat production/supply.

Finally, in the last quarter of 2023, the Company established an integrated working group specifically dedicated to carrying out a preliminary impact assessment and gap analysis aimed at defining a detailed action plan to comply with the new legislation on sustainability reporting according to EU Reg. 2022/2464 (CSRD – Corporate Social Responsibility Directive). As part of this evolutionary and regulatory adaptation process, the Group has therefore initiated coherent actions that will allow it to integrate its Enterprise Risk Management model, identifying the potential impacts, risks and opportunities related to climate change, and also developing and defining its own decarbonisation process. To this end, the numerous initiatives already found in the Group's Business Plan will also be considered, most of which specifically refer to so-called green investments and are attributable to eco-sustainable activities according to the European Taxonomy legislation (EU Reg. 2020/852), such as: investments for the construction of electricity production plants from renewable sources, to increase the resilience and efficiency of the electricity distribution network, for the installation of electric vehicle charging stations, to improve the energy efficiency of our offices and plants (e.g. revamping of district heating plants), etc.. In addition, the Group has launched specific projects for the detailed mapping of its emissions (in particular those of indirect greenhouse gases – so-called Scope 3) and to develop both energy efficiency projects for its offices and plants and the progressive decarbonisation plan to be implemented in the coming years.

For further information on environmental performance and how the Group manages the impacts of climate change, please refer to the Consolidated Non-Financial Statement (so-called CNFS) prepared pursuant to Italian Legislative Decree 254/2016, and drawn up in the format of the Sustainability Report.

Regulatory risk

The regulatory risk is correlated to the constant evolution of the regulations governing the duration of public service concessions and the regulation of the reference sectors. With the help of the Compliance Function and, where deemed appropriate and necessary, with the support of external experts, the Group carries out constant monitoring of the legislation and promptly promotes the start of adaptation projects, with particular reference to the legislation on Privacy and Data Protection, the legislation on Administrative Responsibility pursuant to Italian Legislative Decree 231/2001, environmental legislation (in collaboration with the Quality, Safety and Environment Function), the legislation on Market Abuse, the legislation on Digital Storage in accordance with the law and the legislation on Public Procurement (in collaboration with the Purchasing Department).

With specific reference to Italian legislation on the administrative liability of entities, it should be noted that the main Group companies have adopted their own organisational model pursuant to Legislative Decree 231/2001 and appointed their own supervisory body. A Code of Ethics and an Anti-Corruption Policy have also been defined and adopted at Group level.

With reference to the issues on the personal data protection management, the Group has adopted its own privacy governance system capable of ensuring compliance with the provisions of the General Data Protection Regulation (Regulation (EU) 2016/679 - GDPR), including the appointment of a Data Protection Officer (DPO).

Risks related to tenders for the award of new gas distribution concessions

As a result of the tenders (so-called ATEM - Minimum Territorial Areas) that will presumably be held within the next two years, the Group companies may not be awarded one or more of the new concessions, or may be awarded the new concessions at less favourable conditions than the current ones, with possible negative effects on the financial position and results, without prejudice, in the event of non-award, to the collection of the reimbursement value in favour of the outgoing operator, generally determined at values not less than those in the asset register.

Information & communication technology risks

The Group's activities are managed through information systems that support the main business and support corporate processes.

Any inadequacy, fragmentation of the existing platforms and of those in the process of integration, or the failure to update these information systems in line with operational and business needs, their possible unavailability and the inadequate management of aspects related to the integrity and confidentiality of information represent potential risk factors that the Group mitigates through specific controls governed by the IT Systems Department, which has also adopted specific guidelines, policies and procedures.

On this point, it should be noted that specific Disaster Recovery systems have been implemented and specific insurance coverage is in place for the ICT sector, with the aim of mitigating potential damage resulting from discontinuity in service provision.

The confidentiality and security of information are subject to specific controls by the Group, through internal policies, tools for the segregation of access to information, as well as through specific contractual agreements with third parties that may have to access sensitive information.

The conflict between Russia and Ukraine has contributed to increase the attention paid to so-called cyber risk due to the increased likelihood of cyber-attacks against sensitive targets such as organisations engaged in strategic sectors such as energy & utilities. With specific reference to its cybersecurity, the Group is actively committed to implementing its own programme involving constant developments and continuous improvement of its operational processes, technological tools and corporate policies that enable it to reduce the risks and negative impacts of cyber-attacks, also thanks to careful monitoring of its hardware infrastructure and software systems.

1.15 Report on risk management and internal control systems pursuant to Article 123-bis, paragraph 2, sub-paragraph b), of Italian Legislative Decree 58/98

In consequence of the issuance and listing in 2017 and 2018 of the two tranches of the bond by AIM Vicenza S.p.A. for a total of Euro 70 million (ISIN Code: XS1683476268) on the Main Securities Market, a regulated market operated by the Irish Stock Exchange Euronext Dublin, AGSM AIM S.p.A. (the "Company") is qualified as an "issuer of securities listed on a regulated market". Therefore, it has to comply with a series of obligations.

Specifically in regard to the report on corporate governance and ownership structure envisaged in Article 123-bis of Italian Legislative Decree 58 of 24 February 1998 ("Consolidated Law on Finance" or "TUF"), since the Company does not have shares listed on a regulated market or a multilateral trading system, it has opted to include in the report only the information concerning the principal characteristics of the existing risk management and internal control systems connected with the financial reporting process, including the consolidated financial statements, pursuant to paragraph 2, sub-paragraph b) of Article 123-bis of the Consolidated Law on Finance.

In accordance with applicable laws and regulations and existing leading practices in this regard, and considering the sector in which AGSM AIM S.p.A. and its subsidiaries operate, the Company has implemented an internal control and risk management system. This system consists of the series of rules, procedures and organisational structures designed to identify, measure, manage and monitor its principal risks, assuring compliance with corporate strategies and achievement of the strategic objectives of the Company and the Group.

The internal control and risk management system must not be considered separately from the internal control system in relation to the separate and consolidated financial reporting process. In fact, both of them are essential elements of one and the same system (together, the "System") designed to assure:

- the reliability of financial reporting, i.e. to ensure that the reporting is fair and compliant with generally accepted accounting principles and applicable statutory and regulatory requirements;
- the accuracy of financial reporting, i.e. to ensure that the reporting is neutral and precise;
- the trustworthiness of financial reporting, i.e. to ensure that the reporting is clear and complete so that investors may make informed investment decisions;
- the timeliness of financial reporting, i.e. to ensure that the reporting meets its fixed publication deadlines.

The intended purpose of the System – which centralises the principal activities (especially operating and financial activities) at the centralised administrative offices of the Parent Company – is to guarantee an adequate flow of information and exchange of data and information between the Company and its subsidiaries. All of this is aimed at maintaining precise control over the performance of the subsidiaries, investments and sources of funding. Through the

centralisation of staff services at the Parent Company, the specific intention is to guarantee, *inter alia*, adequate control over the disclosure of operating and financial information, including but not only in compliance with the market abuse rules set out in Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014, as amended, and in the associated enabling and execution acts.

The System is subject to revision in response to the regulatory framework and operating segment in which the Group operates and modification of the corporate business areas to ensure the effectiveness and coordination of the principal elements of the System in relation to the organisational and governance development of the Company and the Group. Within the framework of the internal control and risk management system, second-level control functions known as the Compliance Function and the Risk Management and ESG Function, together with the third line of control represented by the Internal Audit Function, have been set up and actively operate, each within the scope of its competence, to ensure the necessary monitoring of corporate risks.

At a top executive level, a Group Risk Committee has been established since 2022. This Committee, chaired by the Chief Executive Officer, meets periodically with the involvement of the company functions and the invitation of the Internal Audit.

During the Committee's activities, the following Operational Groups have been established and are now operational:

Credit Risk Operational Group;

Commodity Risk Operational Group;

with reference to both these Operational Groups, a separate unit is envisaged with reference to the individual Group companies for which it was deemed appropriate.

Other significant topics

With reference to the works to empty the Busa dam carried out in 2018 and 2019, in March of the current year the company was served notice of a scheduled preliminary hearing for an alleged administrative offence.

1.16 Sustainability and other information

AGSM AIM and sustainability

Within the framework of the important changes and great growth that have characterised the AGSM AIM Group, the Group has consolidated its process for corporate social responsibility by presenting the Consolidated Non-Financial Statement (CNFS) for 2023, in accordance with Legislative Decree 254/16, transposing Directive 2013/34/EU. The CNFS was prepared as a separate document from this Report on Operations.

The CNFS responds to the precise need for transparency towards all stakeholders (e.g. customers, suppliers, employees, users, citizens, local administrations, lenders) and represents a valuable tool to communicate and disseminate the Group's non-financial (environmental, social and economic) performance to the entire area where the Group operates.

The principles of sustainability are integrated into the Group's strategies to foster continuous improvement in terms of impact on the environment, people and financial performance.

Information about Significant non-EU Companies

The parent company AGSM AIM S.p.A. does not control any company that might be considered a "Significant non-EU Company", as defined in Consob Resolution no. 16191/2007, as amended.

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Consolidated financial statements

Consolidated Statement of Financial Position

FINANCIAL POSITION - ASSETS	NOTES	2023	2022
NON-CURRENT ASSETS			
Intangible assets	1	427,117,179	419,186,320
Property, plant and equipment	2	486,355,622	455,668,534
Goodwill	3	53,045,617	51,620,344
Equity investments	4	14,948,058	15,561,488
Other non-current financial assets	5	44,044,081	28,776,169
Deferred tax assets	6	39,838,913	41,290,946
Other non-current assets	7	9,086,302	48,262,667
Total non-current assets		1,074,435,773	1,060,366,469
CURRENT ASSETS			
Inventories	8	21,279,895	29,844,500
Trade receivables	9	392,610,735	674,706,330
Current financial assets	10	3,341,172	214,399
Current tax assets	11	29,165,934	27,908,023
Other current assets	12	74,262,443	161,530,730
Cash and cash equivalents	13	26,789,818	18,667,141
Total current assets		547,449,998	912,871,123
Assets held for sale	14	2,486,290	36,695,415
TOTAL ASSETS		1,624,372,061	2,009,933,006
FINANCIAL POSITION - LIABILITIES			
EQUITY			
	15		
Share capital		95,588,235	95,588,235
Legal reserve		16,347,623	13,138,532
Other reserves		520,024,214	497,823,716
Profit (loss) for the year		27,057,327	46,452,476
Group total equity		659,017,400	653,002,959
Minority interests		20,380,649	21,155,477
Total equity		679,398,049	674,158,436
NON-CURRENT LIABILITIES			
Non-current financial liabilities	16	156,369,847	215,630,722
Employee benefits	17	20,572,149	24,081,498
Provision for risks and charges	18	59,647,279	54,679,239
Deferred tax liabilities	19	31,166,857	32,747,537
Other non-current liabilities	20	30,447,619	47,451,122
Total non-current liabilities		298,203,750	374,590,117
CURRENT LIABILITIES			
Current financial liabilities	21	240,852,046	438,468,688
Trade payables	22	262,476,915	378,398,273
Current tax liabilities	23	19,742,055	15,993,022
Other current liabilities	24	123,699,246	106,975,669
Total current liabilities		646,770,262	939,835,652
Liabilities held for sale	25	-	21,348,801
TOTAL LIABILITIES		1,624,372,061	2,009,933,006

Consolidated Statement of Comprehensive Income

INCOME STATEMENT	NOTES	2023	2022
Revenue		2,042,650,075	3,280,468,105
Revenue from sales and services	26	1,978,012,907	3,195,645,771
Change in inventories	27	(7,821,288)	9,876,667
Other revenue	28	72,458,456	74,945,667
Operating costs		1,793,932,258	3,010,508,671
Raw materials and consumables	29	1,204,785,088	2,583,694,763
Services	30	554,511,228	372,173,867
Leases and rentals	31	8,256,914	9,486,517
Other operating costs	32	26,379,029	45,153,525
Added value		248,717,816	269,959,434
Personnel costs	33	91,795,789	88,452,269
EBITDA		156,922,027	181,507,165
Amortisation, depreciation, and provisions	34	92,563,053	97,945,464
Amortisation and depreciation		72,287,519	71,630,757
Write-down of receivables		9,777,871	10,719,625
Other provisions		10,497,663	15,595,082
Net operating income		64,358,974	83,561,701
Financial position		(21,569,994)	(5,050,807)
Income from equity investments	35	418,291	9,278
Financial income	36	5,874,810	2,616,744
Financial expenses	37	(27,799,811)	(9,780,584)
Adjustments to financial assets	38	(63,284)	2,103,754
Pre-tax profit (loss)		42,788,980	78,510,894
Income taxes	39	13,886,061	29,597,982
Profit (loss) from operations		28,902,919	48,912,912
Profit (loss) from discontinued operations, net of tax effects	40	502,396	478,357
Profit (Loss) for the year		29,405,315	49,391,269
Profit (Loss) attributable to the Parent		27,057,327	46,452,476
Minority interests		2,347,988	2,938,793
Other comprehensive income that will not be subsequently reclassified to profit or loss		2023	2022
Actuarial gains/(losses) for employee benefits		2,194,830	975,802
Tax effect on actuarial gains (losses) for employee benefits		(526,948)	(234,234)
Total actuarial gains (losses) net of the tax effect (B)		1,667,882	741,568
Change in the fair value of cash flow hedging derivatives		19,270,577	(10,025,692)
Tax effect on change in the fair value of cash flow hedging derivatives		(4,624,938)	2,406,166
Total actuarial gains (losses) net of the tax effect (C)		14,645,639	(7,619,525)
Total comprehensive profits (losses) net of tax effect (B) + (C)		16,313,521	(6,877,957)
Total comprehensive income (A) + (B) + (C)		45,718,836	42,513,311

Statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS	2023	2022
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the year	29,405,315	48,912,912
Profit (loss) from discontinued operations		478,357
Income taxes	13,886,061	29,597,982
Interest expense	27,799,811	9,780,584
Interest income	(5,874,810)	(2,616,744)
(Dividends)	(418,291)	(9,278)
Losses deriving from the sale of assets	1,653,195	1,988,325
(Gains) deriving from the sale of assets	(1,452,753)	(733,569)
Profit/(loss) for the year before income taxes, interest, dividends and gains/losses on sales	64,998,528	87,398,568
Adjustments for non-monetary elements that were not offset in the NWC		
Accruals to provisions	24,049,246	30,301,220
Amortisation and depreciation	72,287,519	71,630,757
Other non-monetary adjustments	108,345	(1,890,851)
Cash flows before changes in NWC	161,443,638	187,439,694
Changes in net working capital		
Decrease/(increase) in inventories	6,364,605	(14,082,909)
Decrease/(increase) in trade receivables	276,488,128	(113,041,362)
Increase/(decrease) in trade payables	(115,921,358)	11,148,524
Decrease/(increase) in accrued income and prepaid expenses	(53,743)	(5,389,404)
Increase/(decrease) in accrued expenses and deferred income	1,130,411	2,526,009
Other changes in net working capital	153,672,360	(114,885,156)
Cash flows after changes in NWC	483,124,042	(46,284,605)
Other adjustments		
Interest received	5,874,810	2,616,744
(Interest paid)	(27,799,811)	(9,780,584)
(Income tax paid)	(30,267,959)	(29,749,164)
Dividends received	418,291	368,139
(Use of provisions)	(12,379,133)	(21,246,892)
Cash flows from operating activities (A)	418,970,239	(104,076,362)
B. Cash flows from investing activities		
Intangible assets		
(Investments)	(37,912,653)	(35,468,148)
Property, plant and equipment		
(Investments)	(76,994,142)	(62,185,186)
Disinvestments	632,558	-
Cash flows from investing activities (B)	(114,274,236)	(97,653,334)
C. Cash flows from financing activities		
Third party financing		
Increase (decrease) in short-term payables to banks	(191,087,889)	102,958,186
Raising of bonds	-	-
Repayment of bonds	(10,031,231)	(10,737,868)
Raising of loans	252,775,625	202,499,252
Increase (decrease) in short-term payables for leases and factoring	(695,579)	-
Repayment of loans	(317,748,674)	(102,738,166)
Equity		
Dividends (and interim dividends) paid	(29,785,577)	(2,140,917)
Cash flows from financing activities (C)	(296,573,325)	189,840,487
Increase (decrease) in cash and cash equivalents (A± B ± C)	8,122,678	(11,889,208)
Cash and other cash equivalents at the beginning of the year	18,667,141	30,556,350
bank and postal accounts	18,582,614	30,409,868
cash-in-hand and cash equivalents	84,273	109,679
Cash and other cash equivalents at the end of the year	26,789,818	18,667,141
bank and postal accounts	26,681,861	18,582,614
cash-in-hand and cash equivalents	107,957	84,528

Consolidated Statement of Changes in Equity for the year

Equity	Share capital	Share premium/ contribution reserve	Revaluation surplus	Legal reserve	Extraordinary reserve	Provision for grants related to plants	Transformation reserves as per Law 127/97	IFRS FTA Reserve	Other reserves
Opening Balance	95,588	384,339	7,183	13,139	8,758	3,194	34,836	(879)	15,048
Allocation of the result	-	-	-	712	-	-	-	-	654
Changes in scope	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	(4,883)	-	-	-	-
Reclassifications	-	-	201	2,497	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	16,305
Other changes	-	-	-	-	-	-	-	-	-
Foreign exchange difference	-	-	-	-	-	-	-	-	204
Net profit (loss) for the year	-	-	-	-	-	-	-	-	-
Closing Balance	95,588	384,339	7,385	16,348	3,875	3,194	34,836	(879)	32,212

Equity	Cash flow hedge reserve	Retained earnings/ (losses)	Consolidation reserve	Profit (loss) for the year	Group total equity	Minority interests in share capital and reserves	Minority interests	Total minority interests	Total equity
Opening Balance	96	26,291	18,951	46,459	653,003	18,217	2,939	21,155	674,159
Allocation of the result	-	45,092	-	(46,459)	-	2,939	(2,939)	-	-
Changes in scope	-	773	128	-	901	(773)	-	(773)	128
Dividends paid	-	(33,117)	-	-	(38,000)	(3,197)	-	(3,197)	(41,197)
Reclassifications	-	(2,698)	-	-	-	-	-	-	-
Other comprehensive income	(53)	-	-	-	16,252	549	-	549	16,801
Other changes	-	(400)	-	-	(400)	167	-	167	(233)
Foreign exchange difference	-	-	-	-	204	131	-	131	335
Net profit (loss) for the year	-	-	-	27,057	27,057	-	2,348	2,348	29,405
Closing Balance	43	35,940	19,079	27,057	659,017	18,033	2,348	20,381	679,398

Consolidated Statement of Changes in Equity - previous year

Equity	Share capital	Share premium reserve	Revaluation surplus	Legal reserve	Extraordinary reserve	Other reserves	Profit (loss) for the year	Group total equity	Minority interests in share capital and reserves	Minority interests	Total minority interests	Total equity
Opening Balance	95,588	384,339	8,796	13,139	11,758	78,164	53,681	645,465	15,222	3,445	18,667	664,132
Allocation of the result	-	-	-	-	-	53,681	(53,681)	-	3,444	(3,445)	-	-
Increases	-	-	-	-	-	185	-	185	-	-	-	185
Dividends paid	-	-	-	-	(3,000)	(27,000)	-	(30,000)	-	-	-	(30,000)
Other comprehensive income	-	-	-	-	-	(6,526)	-	(6,526)	(352)	-	(352)	(6,878)
Other changes	-	-	-	-	-	(2,653)	-	(2,653)	(134)	-	(134)	(2,787)
Foreign exchange difference	-	-	-	-	-	79	-	79	36	-	36	115
Net profit (loss) for the year	-	-	-	-	-	-	46,452	46,452	-	2,939	2,939	49,391
Closing Balance	95,588	384,339	8,796	13,139	8,758	95,930	46,452	653,003	18,217	2,939	21,155	674,158

Information by operating segment

Information about operating segments is prepared in accordance with the provisions of IFRS 8 "Operating segments" that require the presentation of this information in a manner consistent with the methods adopted by management to make operational decisions. Consequently, the identification of the operating segments and the information provided are determined based on the internal reporting system used by management for the purpose of allocating resources to the different segments and analysing the respective performance. IFRS 8 defines an operating segment as a component of an entity:

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

The operating sectors in which the company operates are:

- Power: management of plants for producing electricity from different energy sources
- Heat: production of electricity and heat with cogeneration and thermal energy distribution systems;
- Networks: management of the gas and electricity distribution and metering service;
- Market: sale of electricity, gas and heat for district heating;
- Smart: public lighting, telecommunications, parking management and sustainable mobility
- Environment: sweeping, collection, treatment and disposal of waste;

These operating segments are presented in accordance with IFRS 8, which requires that segment reporting be based on the elements that management uses to make its own operating and strategic decisions. The following segment reporting does not contain the secondary segment reporting broken down by geographic area, given that the Group chiefly operates in one area (north-east Italy).

	POWER BU	HEAT BU	MARKET BU	NETWORKS BU	SMART BU	ENVIRONMENT BU	CORPORATES AND ELIMINATIONS	CONSOLIDATED
Value of production	70	67	1,829	125	20	95	(163)	2,043
Costs of production	(48)	(62)	(1,762)	(75)	(12)	(85)	158	(1,886)
EBITDA	22	5	67	50	8	10	(5)	157
EBITDA Margin	31%	7%	4%	40%	38%	10%	3%	8%
EBIT	9	-	50	21	3	3	(22)	64
EBIT Margin	12%	1%	3%	17%	14%	3%	13%	3%
EBT	9	-	43	16	3	3	(31)	43
EBT Margin	12%	1%	2%	13%	13%	3%	19%	2%
Tax for the year	(3)	1	(13)	(4)	(1)	(1)	7	(14)
Profit	7	1	30	12	2	2	(25)	29
Profit from discontinued operations								1
PROFIT	7	1	30	12	2	2	(25)	29
Profit %	10%	2%	2%	10%	10%	3%	15%	1%

Basis of preparation

The Consolidated Financial Statements of the AGSM AIM Group at 31 December 2023 consist of the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements.

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRS also include all the revised international accounting standards ("IAS"/"IFRS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

With reference to the obligation to prepare the consolidated financial statements in XHTML format, it should be noted that pursuant to the exemption provided for in Article 83 of Regulation 11791/99 (issuers of debt securities with a unit value of at least Euro 100,000) AGSM AIM S.p.A. is not required to comply with the above requirement. This is also confirmed under Irish law, as per the specific legal opinion obtained.

Going concern

The political vicissitudes experienced in Europe over the last period and the consequent fluctuating trend in energy market prices have meant that the company results have undergone constant and systematic monitoring with particular attention to the analysis of deviations from forecasts.

The management analysed the management and financial indicators that did not reveal any risks linked to the ability of the AGSM AIM to operate on a going concern basis.

In consideration of the results for the year, which also include the impacts connected with the geopolitical situation, the management analysed the forecasts made with regard to possible future scenarios, including the effects of climate change as far as they can be foreseen, excluding any impairment in the various cash generating units (CGUs) in which it is organised, also in view of the existing considerable margins.

Based on the performance of activities, the joint analysis of the 2024 Budget, the economic projections for 2025 and the ability to access credit, the management believes that it is in a position to proceed with managing and developing activities without questioning its ability to operate as a going concern.

Consequently, these consolidated financial statements have been prepared on a going concern basis as it is reasonable to expect that the Group will continue to operate in the near future and, in any case, for at least twelve months, as set out in IAS 1.25-26.

Financial statement formats

These financial statements have been prepared on a historical cost basis, except for some financial instruments that are measured at fair value. Information about the financial statement formats applied, compared to those set out in IAS 1, and the method used to present cash flows in the statement of cash flows, compared to the provisions of IAS 7, is provided below.

- In the statement of comprehensive income, costs are classified by nature based on a "graduated" classification. It is believed that this type of presentation, which is also used by the Group's principal competitors and is consistent with international practice, best represents the results of the business;
- The statement of comprehensive income comprises the profit or loss for the year and the income and expense, grouped by consistent categories, which, based on the IFRS, are allocated directly to equity.
- In the statement of financial position, current assets and current liabilities are presented separately from non-current assets and liabilities, respectively, in accordance with IAS 1.
- The columns of the statement of changes in equity reconcile the opening and closing balances of each equity caption of the Company.
- The statement of cash flows classifies cash flows by operating, investing and financing activities. Specifically, cash flows from operating activities are presented using the indirect method in accordance with IAS 7, whereby the profit or loss for the year is adjusted to reflect the effects of non-monetary transactions, prepayments and accrued income and accrued expenses or deferred income and revenue or cost items related to future cash flows from investing or financing activities.

Principles and scope of consolidation

The consolidated financial statements have been prepared on the basis of draft financial statements approved by the respective management bodies. The accounting standards described below have been consistently applied by all Group companies. The financial statements have been modified, as necessary, to make them compliant with the Group accounting standards, which are in turn compliant with the IFRS adopted by the European Union.

The subsidiaries have been consolidated on a line-by-line basis since their acquisition date, or from the date when the Group gained control of them, and they are no longer consolidated from the date when control is transferred outside the Group.

All intra-group balances and transactions, including any unrealised profits and losses deriving from relationships between AIM Group companies, have been completely eliminated.

The acquisitions of subsidiaries are recognised according to the purchase method. This requires allocation of the cost for the business combination at the fair value of the assets, liabilities and contingent liabilities acquired at the acquisition date, and inclusion of the loss or profit of the acquired company from the acquisition date until the end of the year.

The minority interests in profit or loss and equity represent the portion of profit or loss and equity pertaining to the net assets not owned by the Group. They are shown in a separate account of the consolidated statement of comprehensive income and the consolidated statement of financial position, separately from the profits or losses and equity of the Group.

The associates are those in which the Group owns at least 20% of the voting rights or where it exercises a significant influence, which is not control or joint control, over financial and operating policies. Equity investments in associates were measured using the equity method. The Group's share of profit or loss is recognised in the consolidated financial statements from the date on which the significant influence began and until the date when it ends.

The reporting date of the consolidated financial statements coincides with the closing date of the separate financial statements of the parent company and the consolidated companies.

As at 31 December 2023 the scope of consolidation using the line-by-line method and the respective activities managed by each company were the following:

- AGSM AIM ENERGIA SpA, 96.27% owned
- V-RETI SpA, 99.83% owned
- AGSM AIM SMART SOLUTIONS Srl, 100% owned
- AGSM AIM CALORE Srl, 100% owned
- AGSM AIM POWER Srl, 100% owned
- AGSM AIM Ambiente Srl, 100% owned
- AGSM HOLDING ALBANIA Sha, 75% directly owned and 25% indirectly
- Valore Ambiente Srl, 100% owned
- CogasPiù Energia Srl, 60% indirectly owned
- Consorzio Industriale Canale G. Camuzzoni di Verona Scarl, 75% indirectly owned
- Parco Eolico Riparbella Srl, 63% indirectly owned
- Parco Eolico Carpinaccio Srl, 63% indirectly owned
- Juwi Development 02 Srl, 100% indirectly owned
- Juwi Development 08 Srl, 100% indirectly owned
- TRANSECO Srl, 100% indirectly owned
- SER.I.T Srl, 99.74% indirectly owned
- DRV Srl, 100% indirectly owned
- Società Igiene Territorio Spa, 100% indirectly owned
- Tre V Ambiente Srl, 100% indirectly owned, incorporated into TRANSECO srl on 01/01/2024
- ECO TIRANA Sha, 49% indirectly owned
- Società Intercomunale Ambiente Srl, 49% indirectly owned
- Amia Verona Spa until 29/11/2023, date of sale of the shareholding to Amia Vr Srl, a company 100% controlled by the Municipality of Verona

Accounting standards

Introduction

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets held for sale, which are recognised at fair value.

There are no held-to-maturity investments. Financial transactions are recognised at the trade date.

The accounting standards used to prepare the consolidated financial statements at 31 December 2023 have also been uniformly applied to all corresponding periods.

The amounts presented in the financial statements are shown in Euro, whilst in the notes they are shown in thousands of Euros, unless otherwise stated.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including direct charges necessary to bring the asset to use. Cost comprises the finance costs directly attributable to the acquisition, construction or production of the asset. Cost also includes the expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

The costs incurred for extraordinary maintenance and repairs are recognised directly when incurred. The costs to expand, renovate or improve the structural elements owned or used by third parties are capitalised solely to the extent that they meet the conditions for being classified separately as an asset or as part of an asset under the component approach.

The other costs that increase the value of assets are attributed to the non-current assets to which they refer, in accordance with IAS 16. They are depreciated according to the remaining useful life of the assets to which they refer. Expenses increasing the value of an asset are those that reasonably cause an increase in its future economic benefits, for example by extending its useful life, expanding production capacity, improving product quality and adopting production processes that substantially reduce production costs.

In accordance with Article 2426 Italian Civil Code, property, plant and equipment and assets under construction are recognised at their purchase and/or production cost, including directly attributable charges, while reducing the cost by the commercial and cash discounts of a significant amount.

For plants constructed internally, the cost of the materials used, the cost of labour for the personnel used, the related social security costs, the accruals to employee severance indemnities and the portion of internal services that can be reasonably attributed to them have been accounted for.

The depreciation charged to the income statement have been calculated according to the use, purpose, and useful life of the assets over their residual useful life.

Assets under construction comprise the direct costs incurred until 31 December 2023. The related depreciation begins from the date of entry into operation of each asset.

The expenses that increase the value of the assets, and the maintenance that results in a significant and tangible increase in production capacity or that lengthens the useful life of the assets are capitalised and generally increase the carrying amount of the related asset and are depreciated over the asset's residual useful life. Ordinary maintenance costs are expensed directly in the statement of comprehensive income.

In regard to landfills, depreciation of the total cost incurred for their construction has been allocated in proportion to the volume occupied by the waste delivered to the landfill during the financial year with respect to its total authorised volume, or in proportion to the biogas produced if the receiving capacity has been exhausted.

Regardless of the depreciation that has already been recognised, if an item of property, plant and equipment is impaired, its carrying amount is reduced accordingly. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Leases

Right-of-use assets are recognised on the start date of the lease, i.e. the date on which the underlying asset is available for use.

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

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

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

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that can be controlled and from which future economic benefits are expected. They are initially recognised at purchase and/or development cost, including direct expenses necessary to bring the asset to use. Interest expense, if any, accrued during and for the development of intangible assets, are considered part of the acquisition cost. In particular, the following intangible assets can be identified in the Group. Intangible assets with a finite useful life are amortised over their useful life and are assessed whenever there are indications of impairment. Intangible assets that do not have a finite useful life are not amortised but tested annually instead for impairment.

a) Rights on assets under concession (IFRIC 12)

Under IFRIC 12, the infrastructure used in a public-to-private service concession arrangement will not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator must either recognise a financial asset to the extent that it has an unconditional contractual right to receive cash (or another financial asset from or at the direction of the grantor for the construction services) or recognise an intangible asset to the extent that it receives a right ('licence') to charge users of the public service. Based on the AGSM AIM Group's service concession agreements, the infrastructure used is recognised using the "intangible asset model". The "Rights on assets under concession" represent the Group's right to use the assets under concession of the Integrated Water Services, the Integrated Gas Services, and the Integrated Energy Services (the so-called intangible asset model), considering the fees and the costs of implementation, with the obligation to return the asset at the end of the concession.

b) Software and other intangible assets

Software and other intangible assets are recognised at cost, as described earlier, net of accumulated amortisation and impairment losses, if any. Amortisation begins when the asset is available for use and it is charged systematically over the residual period of benefit, that is, over the estimated useful life.

Impairment losses

At each reporting date, the Group checks whether there are any indications of impairment of intangible assets and property, plant and equipment. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trend in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amount of the assets is reduced to the recoverable amount and any impairment loss is recognised in profit or loss. The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use, the latter being the present value of future cash flows estimated for the asset in question. In calculating the value in use, the expected future cash flows are discounted at current value using a pre-tax discount rate that reflects current market valuations of the time value of money, proportionate to the investment period, and the risks specific to the asset. For assets that do not generate largely independent cash flows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognised in profit or loss. The impairment loss is initially recognised as a deduction of the carrying amount of goodwill allocated to the cash-generating unit and then only applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. If the reasons that gave rise to an impairment loss no longer exist, the carrying amount of the asset is recognised again in profit or loss, up to the carrying amount that would have been recognised had no impairment loss been recognised and if normal amortisation/depreciation had been applied.

Trade receivables and other current and non-current assets

Trade receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables and other financial assets are included in current assets,

except for those with a contractual due date beyond twelve months after the reporting date, which are classified as non-current assets.

Impairment losses on receivables are recognised when there is objective evidence that the Group will no longer be able to recover the receivables due from the counterparty based on the contract terms.

Objective evidence includes events such as:

- significant financial difficulties of the counterparty;
- legal disputes with the counterparty over the receivables;
- probability that the counterparty will declare insolvency or other financial restructuring procedure.

The impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows and is recognised in profit or loss. If, in subsequent years, the reasons for the impairment cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been recognised had the amortised cost been applied.

The valuation of financial assets is carried out based on the valuation model of credit losses in application of the simplified model of expected losses envisaged by IFRS 9. The amount to be set aside was determined using information that could be supported and was available at the end of the reporting period.

Financial assets, relating to non-derivative financial instruments, with fixed or determinable payments and fixed maturity dates, which the Group intends and has the ability to hold until maturity, are classified as “held-to-maturity investments”. Such assets are measured at amortised cost using the effective interest method, adjusted by impairment losses, if any. Whenever there are impairment losses, the same policies as described above for loans and receivables are applied.

Available-for-sale financial assets, including investments in other companies representing available-for-sale assets, are measured at fair value, if determinable. Changes in fair value are recognised directly in an equity reserve in other components of comprehensive income until they are disposed of or impaired, at which time they are reversed to profit or loss. Other unlisted investments classified as “available-for-sale financial assets” whose fair value cannot be measured reliably are measured at cost adjusted by any impairment losses, which are recognised in consolidated profit or loss, as required by the new standard IFRS 9.

Equity investments

Equity investments in associates and joint ventures are recognised using the equity method. Under this method, the equity investment in an associate or a joint venture is initially recognised at cost, and the carrying amount is increased or decreased to reflect the investor's share of the profit or loss of the investee after the date of acquisition. Goodwill relating to an associate or a joint venture is included in the carrying amount of the equity investment and, as it is not separately recognised, it is not tested for impairment separately. Other equity investments are measured at cost.

Inventories

Raw materials, supplies and finished products are recognised at the lower of their purchase or manufacturing cost and their realisable value based on market trends, by applying the weighted average cost method.

The resulting amount is subsequently adjusted through the specific “provision for inventory obsolescence”, to account for the goods whose realisable value is expected to be less than their cost.

Contract work in progress whose duration falls within the year is measured according to the costs incurred as documented in the progress reports.

Long-term contract work in progress is recognised based on the consideration paid.

White Certificates (Energy Efficiency Certificates – EEC)

The Group holds Energy Efficiency Certificates (“EEC”) exclusively for its own use, i.e. to cover its own requirements (“Industrial Portfolio”), while it does not own units/certificates for trading purposes (“Trading Portfolio”).

The EEC held for own use (“Industrial Portfolio”) purchased to cover its own needs (determined according to its obligations that have accrued at the end of the year) are recognised as current assets at fair value according to their estimated realisable value.

Moreover, a “Provision for Liabilities” is recognised by measuring the EEC yet to be purchased (to meet annual obligations) as the difference between the value of the contribution and the market value of the EEC. The accruals are recognised under “Other operating costs”.

Cash and cash equivalents

Cash and cash equivalents include the cash on hand and positive balances on current bank accounts not subject to restrictions or constraints. These items are shown at their face value.

Accruals and Deferrals

They are determined on an accrual basis and in application of the matching principle. The conditions that led to the original recognition of long-term items have been checked, while making any changes, as necessary.

Grants related to plants

The grants related to assets made by various entities have been counted since 2006 towards a reduction in the non-current assets when the same grant directly refers to a plant. Previously, the grants related to plants were recorded under deferred income and recognised in the income statement in the same ways used to calculate depreciation of the assets to which they referred. Therefore, net depreciation is calculated on the capital assets affected by the grant, while deferred income is still used for the grants already accounted for in the years before 2006, which are counted towards annual income according to an annual instalment corresponding to the amount of the depreciation for the associated assets.

Financial liabilities, trade payables and other liabilities

Financial liabilities (other than derivative financial instruments), trade payables and other liabilities are initially recognised at fair value, net of directly attributable transaction costs, and are subsequently measured at amortised cost applying the effective interest rate method. If there is a change in the expected cash flows, which can be reliably determined, the liabilities are recalculated to reflect this change. Financial liabilities are classified as current liabilities, unless the Group has the unconditional right to defer payment for at least twelve months after the reporting date.

Financial liabilities are derecognised at the time of their settlement and when the Group has transferred all the risks and charges relating to the instrument.

Derivatives

Financial derivatives are assets and liabilities recognised at fair value. The group uses financial derivatives to hedge interest rate and commodity risks. The Group uses financial derivatives to hedge interest rate and commodity price risks. In accordance with the provisions of IAS 39, financial derivatives qualify for hedge accounting only if:

- at the time that the hedge is established there is a formal designation and the hedging relationship is documented;
- the hedge is deemed highly effective;
- the effectiveness can be reliably measured;
- the hedge is highly effective during the different accounting periods for which it is designated.

When derivatives qualify for hedge accounting, the following accounting treatments are applied:

- if the derivatives hedge the risk of fluctuations in the fair value of the hedged assets or liabilities (fair value hedge; e.g., hedging fluctuations in the fair value of fixed-rate assets/liabilities), they are measured at fair value through profit or loss; accordingly, the hedged assets and liabilities are adjusted to reflect changes in fair value associated with the hedge risk;
- if the derivatives hedge the risk of fluctuations in the cash flows of the hedged assets or liabilities (cash flow hedge; e.g., hedging fluctuations in the cash flows of assets/liabilities caused by fluctuations in interest rates), changes in the fair value of derivatives are initially recognised in equity and subsequently transferred to profit or loss based on the economic effects of the hedged transactions.

If hedge accounting cannot be applied, the gains or losses resulting from the measurement at fair value of the derivatives are immediately recognised in profit or loss.

Employee benefits

Short-term benefits are represented by wages and salaries, social security, indemnities in lieu of holidays and incentives in the form of bonuses payable in the twelve months after the reporting date. Such benefits are recognised under personnel costs in the period in which their services are rendered.

Post-employment benefits are divided into two categories: defined contribution plans and defined benefit plans.

In defined contribution plans, contribution costs are charged to profit or loss when incurred, based on their nominal amount.

In defined benefit plans, which include employee severance indemnities governed by article 2120 of the Italian Civil Code ("TFR"), the amount of the benefit to be paid is quantifiable only after termination of employment, and associated with one or more factors such as age, the years of service and remuneration. The related cost is recognised in other comprehensive income (OCI) based on actuarial calculations. The liability recognised for defined benefit plans is the present value of the obligation at the reporting date. The defined benefit plan obligations are determined annually by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to high-quality corporate bonds issued in Euro which take into account the period of the related pension plan. With reference to the Group, this category includes the employee

severance indemnities accrued as at 31 December 2006 (or at the date selected by the employee when the option to make contributions to supplementary pension funds is chosen), and the rate discounts given to former employees. Starting from 1 January 2007, Finance Law 2007 and the related implementing decrees introduced amendments concerning the TFR. The amendments include the decision of employees as to the destination of their accruing TFR. In particular, new flows of TFR can be allocated by the employee either to selected pension funds or maintained in the company. In the case of selected pension funds, the defined contribution will be paid to the fund and, starting from such date, the new amounts accrued become defined contribution plans not subject to actuarial measurement. Defined benefit plans also include the rate discounts that the Company provides to former employees. These discounts also entail assessments which adequately consider when the related services will be provided and, accordingly, the need to calculate them using average present values. Changes in actuarial gains and losses are recognised in OCI in accordance with IAS 19 Revised.

Provisions for risks and charges

Provisions for risks and charges are set up to cover losses or liabilities whose existence is certain or probable but that at the end of the reporting period are uncertain as to amount or as to the date on which they will arise. Provisions are recognised only when there is a current obligation (legal or constructive) for a future outflow of resources deriving from a past event and it is probable that the outflow will be necessary to fulfil the obligation. This amount represents the best estimate of the present value of expenditures required to settle the obligation. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, the provisions to be accrued are equal to the present value of the expected outflow, using a rate that reflects market conditions, the change in the time value of money and the risks specific to the obligation. The increase in the provision due to changes in the time value of money is recognised as interest expense.

Revenue recognition

Revenues and income are recognised net of returns, discounts and rebates, as well as taxes directly related to the sale of products and the provision of services. They are split between revenues from operating activities and financial income accruing between the date of sale and the date of payment.

In particular:

- revenues from the sale of energy, gas and heat are recognised and accounted for at the time of delivery and include the provision for deliveries made but not yet invoiced (estimated on the basis of historical analyses determined in relation to past consumption);
- revenues for distribution are recognised on the basis of the tariffs recognised by the Authority and are subject to equalisation at the end of the financial year to reflect, on an accrual basis, the remuneration recognised by the Authority for the investments made;
- revenues are recognised when (or gradually as) the relevant obligation is fulfilled, by transferring the promised goods or services to the customer. The transfer occurs when (or gradually as) the customer acquires control of the goods or services. The recognised revenue corresponds to the price attributed to the relevant obligation that is measured. Revenues are only recognised if it is considered probable that the relevant amount will be received for the goods or services transferred to the customer.

Cost of goods purchased and services performed

Purchases of goods and the performance of services are recognised in profit or loss on an accrual basis.

Income taxes

Current taxes are calculated based on the taxable income for the year, applying the current tax rates at the reporting date.

Deferred taxes are calculated for all differences emerging between the tax base of an asset or liability and the respective carrying amount. Deferred tax assets, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable income will be available against which they may be recovered. Deferred tax liabilities are determined using the tax rates that are expected to apply in the periods in which the differences will be realised or extinguished, based on the tax rates in force or substantially in force at the reporting date.

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

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

Non-current assets held for sale (disposal group) and discontinued operations whose book value will be recovered mainly through sale rather than through continuous use, are valued at the lower between their net carrying amount and their

fair value less costs to sell: any difference between the carrying amount and the fair value less any costs to sell is recognised in the Income Statement.

In accordance with the IFRS, the data relating to non-current assets held for sale and discontinued operations are presented in two specific items in the Statement of Financial Position: assets held for sale and liabilities directly associated with assets held for sale.

With exclusive reference to discontinued operations, the net economic results achieved by them during the sale process (including any capital gains/losses deriving from the sale itself) and the corresponding comparative data of the previous year are presented in a specific item in the Income Statement: net result from discontinued activities or those destined to be sold.

New accounting standards

The accounting standards adopted to prepare the financial statements are consistent with those used to prepare the financial statements at 31 December 2022, except for the adoption of the new standards, amendments and interpretations in force from 1 January 2023.

Standards, interpretations, amendments and improvements required for the 2023 financial statements

IFRS 17 Insurance Contracts

The new standard establishes the principles for the recognition, measurement and disclosure of insurance contracts under the IAS/IFRS. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023.

The application had no impact on the economic and financial situation.

IAS 8 Definition of accounting estimates

The changes made to the standard in question are aimed at providing a clarification on the distinction between change of estimates and/or accounting principles and correction of errors. This defines the methods used by entities to apply valuation techniques to develop accounting estimates.

The application had no impact on the economic and financial situation.

IAS 1 Presentation of Financial Statements

The amendments introduced require companies to provide information on relevant accounting standards rather than on significant accounting standards.

The application had no impact on the economic and financial situation.

IFRS Practice Statement 2 Making Materiality Judgements

The amendments provide guidance on how to apply the concept of materiality to accounting policy reporting.

The application had no impact on the economic and financial situation.

IAS 12 Taxes

The amendments introduced a temporary exception to the accounting for deferred taxes related to the application of the provisions in Pillar Two published by the OECD, as well as targeted supplementary information for the companies concerned.

The application had no impact on the economic and financial situation.

New standards and amendments issued by the IASB that are not mandatory for the preparation of the 2023 IFRS financial statements

IFRS 16 Sale and leaseback

A new paragraph was introduced to the standard which concerns the method used by a selling lessee to assess the assets and liabilities recorded following a sale and leaseback transaction. In particular, it is required that the "revised lease payments" are recorded in such a way as not to generate any impact on the profit (or loss) relating to the right of use retained by the seller-lessee himself. Amendments are mandatory for financial statements after 1 January 2024. The application is not expected to have an impact on the financial position.

IAS 1 Presentation of financial statements (current and non-current liabilities)

Already in 2020, the IASB had issued further amendments to IAS 1, aimed at better defining the classification of liabilities as current or non-current. These changes could have a significant impact on many entities, with the effect of having more liabilities classified as current (e.g. loan covenants). Amendments are mandatory for financial statements after 1 January 2024.

Non-recurring significant transactions

The AGSM AIM Group is headed by the holding company AGSM AIM Spa. Effective during the year 2023, the following corporate reorganisation and simplification operations took place:

- on 10 January 2023, AGSM AIM POWER Srl acquired the ownership of the entire shareholding of the companies JUWI DEVELOPMENT 02 Srl and JUWI DEVELOPMENT 08 Srl;
- on 27 January 2023, with effect from 1 February 2023, SIT S.p.A. sold the business unit called "Ramo raccolta Vicenza" to Valore Ambiente S.r.l. The transferred business unit includes services relating to the collection of both urban and industrial waste in the Municipality of Vicenza and until October at the Municipality of Costabissara;
- on 5 April 2023, the company AGSM AIM Ambiente S.r.l. was the beneficiary of the partial demerger by splitting a well-defined part of the share capital of AMIA VERONA S.p.A.;
- on 24 May 2023, 2V ENERGY SRL was merged by incorporation into AGSM AIM ENERGIA S.p.A.;
- on 30 August 2023 SIT S.p.A. sold the business unit called "Raccolta San Bonifacio" to SERIT S.r.l.. The transferred business unit relates to services for the collection of urban waste in the Municipality of San Bonifacio;
- on 25 September 2023 AGSM AIM S.p.A. transferred, for a consideration, the share certificate owned by it equal to 100% of the share capital of the company S.I.T. – Società igiene territorio – S.p.A to AGSM AIM Ambiente S.r.l.;
- on 27 September 2023 AGSM AIM Ambiente S.r.l. acquired the remaining 50% of the share capital of the Italian limited liability company "D.R.V. S.r.l." becoming its sole quotaholder;
- on 5 October 2023, the company AMIA VERONA S.p.A. sold the business unit called "Ramo TM" concerning waste sorting activity to Transeco S.r.l.;
- on 29 November 2023, AGSM AIM S.p.A. sold its entire stake in AMIA VERONA S.p.A. to AMIAVR S.p.A.;
- on 15 December 2023 AGSM AIM Ambiente S.r.l. acquired the entire share capital of the limited liability company "TRE V Ambiente S.r.l. - Unipersonale";
- on 15 December 2023, the business unit called "Ramo gestione sito Le Strillaie" was sold to third parties, consisting of the complex of assets intended for the management of the Pump & Treat plant and the leachate purification plant located at the Le Strillaie landfill in Grosseto, as well as the management of the photovoltaic and biogas recovery plants at the same site;

The transactions described above were aimed at completing the reorganisation process of the Group that began in the previous period and at developing synergies and integrations to improve positioning in the Group's businesses through the enhancement of the individual sector companies of their brands and territorial coverage.

Further information on the structure of the Group and the activities of each BU is provided in the Report on Operations, to which one should refer for more details.

2 Notes to the Consolidated Statement of Financial Position

Non-current assets

2.1 Intangible assets

The following table shows the amount of “Intangible Assets” as at 31 December 2022 and 2023 and the related changes.

Intangible assets - 2022	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks, and similar rights	Assets under concession	Intangible assets under development	Other	Total
Opening Balance	23	6,247	31,204	294,866	1,249	83,297	416,887
Investments	-	3,410	277	29,826	895	1,060	35,468
Disposals and Sales	-	(12)	-	(517)	(38)	(763)	(1,330)
Reclassifications	(2)	(984)	(6,774)	9,271	(1,127)	(1,325)	(943)
Reclassification of assets held for sale	-	-	-	-	-	(92)	(92)
Amortisation and depreciation	(11)	(2,575)	(1,807)	(21,016)	-	(4,777)	(30,188)
Other changes	-	5	-	(357)	(290)	24	(617)
Closing Balance	9	6,092	22,900	312,072	689	77,424	419,186

Net value	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks, and similar rights	Assets under concession	Intangible assets under development	Other	Total
Opening Balance	9	6,092	22,900	312,072	689	77,424	419,186
Investments	-	3,250	130	31,211	2,559	763	37,913
Disposals and Sales	-	(2)	(664)	(514)	-	(536)	(1,716)
Change in scope	-	-	-	-	1,641	1,572	3,213
Reclassifications	-	646	3	50	(718)	43	24
Amortisation and depreciation	(5)	(3,191)	(1,816)	(21,931)	-	(4,513)	(31,456)
Other changes	-	1,029	-	(1,391)	-	317	(46)
Foreign exchange difference	-	-	-	-	-	-	-
Closing Balance	4	7,823	20,553	319,497	4,171	75,070	427,117

Intellectual property rights of Euro 7,823 thousand refer to software costs. The increase of Euro 3,250 thousand recorded in 2023 was mainly due to software costs incurred to implement management and invoicing systems. This item is amortised over 5 years.

Concessions amounting to Euro 20,553 thousand mainly relate to the value of concessions granted by municipalities, including Vicenza and Treviso, for the distribution of water, heat and gas services.

Assets under concession of Euro 319,497 thousand refer to infrastructure used in public-to-private concession services agreements, accounted for in accordance with IFRIC 12. The increases for the year mainly relate to investments in the gas sector.

Assets under construction and advances amount to Euro 4,171 thousand and mainly refer to the implementation of management software and remote control of substations.

The item “Other”, amounting to Euro 75,073 thousand, mainly includes costs for the acquisition of surface rights and the establishment of easements on the land on which the wind and photovoltaic plants are located, and improvements on the upgrading to third-party systems and public lighting systems in the Municipalities of Padua and Belluno.

Impairment test on rights on assets under concession (IAS 36)

The Group performed an impairment test to evaluate the existence of possible reductions in value of the amounts recognised as rights on assets under concession. The test was performed by comparing the carrying amount of the asset or group of assets included in the cash generating unit (CGU) with the recoverable amount of that asset or group of assets, calculated as the higher of the fair value (net of any costs to sell) and the value of the net expected cash flows of the asset or group of assets included in the CGU (value in use).

For the impairment test, the Group used the cash flows for the concession period obtained from the 2024 Budget approved by the Board of Directors on 5 February 2024 and the economic projections for 2025 made by management and the residual value of the assets realised during the concession period that the Group expects to obtain at the end of the Concession.

These projections (hereinafter “2024-2025 economic plan”) constituted the reference for the determination of costs and revenue within the independent expert’s assignment. The impairment test is based on the assumptions described in more detail in the paragraph below on goodwill.

2.2 Property, plant and equipment

A breakdown of the item “Property, plant and equipment” as at 31 December 2023 is provided below with the relevant changes.

Historical cost	Land and buildings	Plant and Machinery	Transferable works	Industrial and commercial equipment	Other assets	Right-of-use assets	Property, plant and equipment under development	Total
Opening Balance	188,167	848,263	53,481	34,538	62,566	15,636	29,655	1,232,306
Investments	3,133	32,910	328	4,421	2,602	1,229	30,955	75,578
Disposals and Sales	(93)	(13,779)	-	(1,172)	(854)	(417)	(3)	(16,318)
Extraordinary transactions	(2)	(1,005)	-	(650)	113	-	-	(1,544)
Change in scope	-	1,885	-	620	22	-	-	2,527
Reclassifications	967	7,040	-	256	114	-	(8,397)	(19)
Other changes	16	1,298	-	4,164	48	-	-	5,526
Foreign exchange difference	49	708	-	4	-	-	-	761
Closing Balance	192,238	877,321	53,809	42,180	64,612	16,448	52,209	1,298,817

The investments mainly included: electricity distribution activities, relating to the increase and renewal of HV/MV plants and the low and medium voltage distribution networks; electricity production mainly for interventions carried out on cogeneration plants (mainly the ongoing revamping of the Borgo Trento power plant) and renewable (wind and photovoltaic) energy plants. Significant investments were made in the public lighting sector also with the installation of new low-consumption lighting equipment, in electricity metering relating to the continuation of the massive campaign to replace the 1G electronic meters with the new generation 2G meters, in areas relating to the environment (mainly costs relating to repowering the Cà del Bue anaerobic digestion plant and waste collection vehicles), telecommunications (equipment, canalisations and optical fibre), the district heating network, for the installation of charging stations for electric vehicles and in buildings and appurtenances of the company’s various premises.

The changes during the year with respect to accumulated depreciation are shown below.

Accumulated Depreciation	Land and buildings	Plant and machinery	Transferable works	Industrial and commercial equipment	Other assets	Right-of-use assets	Total
Opening Balance	82,533	562,045	42,534	25,609	52,816	11,101	776,637
Disposals and Sales	(20)	(9,667)	-	(997)	(773)	(235)	(11,692)
Extraordinary transactions	(2)	(667)	-	(849)	-	-	(1,518)
Change in scope	-	1,635	-	475	19	-	2,128
Reclassifications	-	(4)	-	3	2	-	-
Amortisation and depreciation	4,367	27,675	1,217	2,884	2,665	2,013	40,822
Other changes	-	1,562	-	2,674	1,502	-	5,738
Foreign exchange difference	2	340	-	3	-	-	345
Closing Balance	86,880	582,919	43,751	29,801	56,230	12,879	812,461

The net changes as at 31 December 2023 and 2022 of the individual items belonging to property, plant and equipment are detailed below.

Net value 2022	Land and buildings	Plant and machinery	Transferable works	Industrial and commercial equipment	Other assets	Right-of-use assets	Assets under construction	Total
Opening Balance	124,676	274,919	11,863	12,942	15,221	5,077	13,932	458,630
Investments	2,778	29,863	177	2,715	4,012	611	22,029	62,185
Disposals and Sales	(128)	(2,323)	-	(169)	(27)	-	(926)	(3,572)
Reclassifications	(7,103)	13,032	-	(642)	478	394	(4,945)	1,213
Reclassification of assets held for sale	(9,955)	(273)	-	(2,114)	(6,044)	-	(442)	(18,829)
Amortisation and depreciation	(4,654)	(29,506)	(1,092)	(2,994)	(4,352)	(1,547)	-	(44,145)
Other changes	10	320	-	679	(1,026)	-	8	(9)
Foreign exchange difference	10	185	-	1	-	-	-	196
Closing Balance	105,634	286,218	10,947	10,418	8,261	4,536	29,655	455,668

Net value	Land and buildings	Plant and machinery	Transferable works	Industrial and commercial equipment	Other assets	Right-of-use assets	Assets under construction	Total
Opening Balance	105,634	286,218	10,947	10,418	8,261	4,536	29,655	455,668
Investments	3,133	32,910	328	4,421	2,602	1,229	30,955	75,578
Disposals and Sales	(73)	(4,112)	-	(175)	(81)	(182)	(3)	(4,626)
Extraordinary transactions	-	(338)	-	199	113	-	-	(27)
Change in scope	-	250	-	145	3	(531)	531	399
Reclassifications	967	7,044	-	253	112	-	(8,397)	(20)
Amortisation and depreciation	(4,367)	(27,675)	(1,217)	(2,884)	(2,665)	(2,013)	-	(40,822)
Other changes	16	(263)	-	1,489	(1,454)	-	-	(212)
Foreign exchange difference	47	368	-	1	-	-	-	417
Closing Balance	105,358	294,401	10,058	13,867	6,891	3,039	52,741	486,356

Land and buildings amounted to Euro 105,358 thousand net of accumulated depreciation of Euro 86,880 thousand. This item mainly refers to the corporate offices and appurtenances of the Parent Company, in addition to the land and industrial buildings of the other Group companies, to the land and buildings of the power generation plants (thermoelectric, hydroelectric, cogeneration and renewable), the buildings that are part of the Cà del Bue plant, and the walls of primary and secondary electricity substations.

Plant and machinery amounted to Euro 294,401 thousand, net of accumulated depreciation of Euro 582,919 thousand. The item mainly includes machinery related to power plants and electricity production plants, transport lines and distribution networks of electricity and public lighting, district heating pipes, electricity metering equipment, the instrumentation contained in electricity substations, specific systems relating to waste disposal and the optical fibre installed in the city network.

During the year, the item plant and machinery recorded new investments totalling Euro 32,910 thousand, of which the most significant were: Euro 19,506 thousand on high, medium and low voltage systems and networks, Euro 8,690 thousand on the installation of electricity meters, Euro 1,722 thousand on projects for the redevelopment of public lighting systems and networks in the city of Verona and other municipalities, as well as for ordinary extensions and renewals of public lighting networks and upgrading and renewals at the electricity power stations.

Reclassifications mainly include the portion of assets under construction in 2022 which became operational in 2023.

Net disposals of plant and machinery amounted to Euro 4,112 thousand and mainly relate to the disposal of the public lighting systems of the city of Vicenza following a settlement with the Municipality itself, the disposal and replacement of medium and low voltage electricity lines and the disposal of electricity meters following the massive campaign to replace the 1G type meters with the more modern 2G type.

The transferable works, which total Euro 10,058 thousand net of accumulated depreciation of Euro 43,751 thousand, refer to the plants granted for temporary use to the Group to be assigned free of charge to the State upon expiry of the concession. Transferable works are: the hydroelectric plant of Belfiore (VR), the hydroelectric power plant of Ala (TN), the Speccheri dam (TN), the Busa (TN) lifting plants, the Toldo dam (TN), the Stedileri (TN) reservoir, the San Colombano power plant (TN) and the hydroelectric plants in use by Consorzio Canale Industriale G. Camuzzoni di Verona Scarl. These plants were depreciated based on the residual duration of the concessions.

Industrial and commercial equipment amounted to Euro 13,867 thousand net of accumulated depreciation of Euro 29,801 thousand and mainly includes fixed and movable equipment, work machinery, equipment and sundry instrumentation.

Other assets amounted to Euro 6,891 thousand net of accumulated depreciation of Euro 56,230 thousand, including lorries and motor vehicles, office furnishings and equipment, personal computers, electronic and office machinery.

Right-of-use assets mainly include leased properties and fleet cars and leased vehicles used in urban health services, accounted for using the financial method in accordance with IFRS 16 - Leases.

Assets under construction amounting to Euro 52,741 thousand mainly relate to the Revamping works of the anaerobic digestion section of the Cà del Bue solid urban waste treatment plant for Euro 13,761 thousand, to the costs for the design, construction and preparatory work for the repowering of the Cricoli and Borgo Trento cogeneration plants (Euro 1,138 thousand and Euro 13,991 thousand, respectively), and to studies, designs and works relating to the renewals and construction of new wind farms and photovoltaic plants for the production of renewable energy for Euro 10,117 thousand, in addition to the works on the high, medium and low voltage electricity distribution and measurement plants.

2.3 Goodwill

The breakdown of "Goodwill" as at 31 December 2023 and the changes that have occurred compared to 31 December 2022 are shown below:

	Goodwill
Opening Balance	51,620
Investments	1,744
Other changes	(319)
Closing Balance	53,046

During the year 2023, there were increases of Euro 1,744 thousand and other negative changes of Euro 319 thousand relating to operations carried out during the year.

Goodwill refers to business combinations, which were recognised in accordance with IFRS 3 "Business Combinations". As regards the initial amount of Euro 51,620 thousand, this includes the amount attributable to the business combination made on 1 January 2022 and accounted for according to the Purchase Price Allocation (PPA) process for the part not specifically attributable to the acquired assets, in addition to previous values of goodwill acquired for consideration.

An impairment test was conducted on this value, in line with IAS 36 with the support of an independent expert, in order to check that it did not exceed its recoverable value, calculated for each single Cash Generating Unit ("CGU"). The recoverable value of a CGU (or set of CGUs) is the higher value between fair value, less costs to sell, and the value in use. "Fair value" means the value determined by reference to the best available information to reflect the amount obtainable from the disposal of the CGU in a free transaction between aware and willing parties. "Value in use" refers to the current value of the estimated future cash flows, which are assumed to derive from the continuous use of the CGU and its disposal at the end of its useful life.

For the financial statements, the recoverable value of goodwill was defined with respect to value in use and was calculated for each of the CGUs to which this goodwill is attributable. The value in use of each CGU was estimated using the Discounted Cash Flow ("DCF") method by discounting the operating cash flows generated by the assets at a discount rate representative of the weighted average cost of capital (WACC). For establishing the value in use, the cash flows from each CGU were used, whose valuation was carried out by the company's management based on reasonable and sustainable assumptions, such as to reflect the value of the CGU in its current conditions and with a view to maintaining normal company operating conditions, as deduced from the 2024 budget and the economic projections for 2025 carried out by management. These projections (hereinafter "2024-2025 economic plan") constituted the reference for the determination of costs and revenue within the independent expert's assignment.

The economic projections are based on the group line that aims to offer integrated services that encompass the north-eastern area of the Italian territory (mainly the Municipalities of Vicenza, Verona, Treviso and neighbouring areas) and in particular feature initiatives based on sustainability, which has been placed as the main driver of the Group's growth strategy. The investment plan will be aimed at production plants from renewable sources, development of the circular economy, improvements to district heating efficiency, renewal and digitisation of electricity and gas networks, expansion of the commercial offer of smart and innovative services, improvement in service quality.

For the sole purpose of the impairment test, the assigned independent expert, among other things: a) analysed the relevant components and assumptions of the economic and financial projections drawn up by the Company's management, carried out comparisons and checks on the correctness of the sources and assumptions used; b) carried out the estimation of the discount rate consistent with the cash flows considered, i.e. the post-tax weighted average cost of capital (WACC), estimated, according to criteria widely used in the valuation practice and in line with last year's impairment exercise in order to reflect current market assessments with reference to the current value of money, country risk and specific risks related to the activity; c) made changes to the flows deriving from the Plan, which was appropriately normalised to exclude the impacts deriving from non-repeatable energy scenarios over the years and their impacts on NWC and NFP; d) estimated the residual value considering a growth rate beyond the plan horizon, identified for each CGU, consistent with the expectations of business development.

The table below summarises the valuation assumptions underlying the impairment test:

Business Unit	WACC	Ke	Kd
Sales	7.3 %	9.2 %	3.3 %
Power	7.5 %	9.4 %	3.3 %
Electricity Distribution	6.5 %	7.9 %	3.3 %
GAS Distribution	6.5 %	7.9 %	3.3 %
Environment	7.3 %	9.2 %	3.3 %
IP-TLC	7.3 %	9.2 %	3.3 %
Water	5.2 %	6.1 %	3.3 %

The valuation method also included a sensitivity analysis on the valuation parameters used and, in particular, the threshold levels of the impairment test value. Where possible, with reference to regulated businesses, a comparison was also made with the parameters indicated by Arera. The difference between the value in use and the operating net invested capital at the reporting date was compared with the carrying values of goodwill in the Group's consolidated financial statements. Consistent with the indications in IAS 36, management will monitor the evolution of macroeconomic and geopolitical conditions and any other impairment indicator, promptly transposing the changes in the value of CGUs.

2.4 Equity investments

The breakdown of "Equity investments" as at 31 December 2023 and the changes that have occurred compared to 31 December 2022 are shown below:

Equity investments	Opening balance	Revaluations (Write-downs)	Percentage var./Method change	Reclassifications	Other var.	Closing Balance
Subsidiaries						
Torretta Rijeka d.o.o.	32	-	-	-	-	32
Total	32	-	-	-	-	32
Associates						
Bovolone Attiva Srl	216	-	-	(286)	70	-
DRV Collegata Srl	308	-	(308)	-	-	-
Consorzio GPO	9,831	179	-	-	-	10,010
Legnago Servizi Spa	1,800	(319)	-	-	-	1,482
SI.VE Srl	354	31	-	-	-	385
Total	12,508	(108)	(308)	(286)	70	11,877
Other companies						
Agrilux	2,492	-	-	-	-	2,492
Parco Eolico Monte Vitalba	161	-	-	-	-	161
ICQ Holding Spa	229	-	-	-	-	229
Soc. Coop. Energyland	4	-	-	-	-	4
Fondazione G. Rumor	87	-	-	-	-	87
Ascopiave Spa	3	-	-	-	-	3
Banca Etica	33	-	-	-	-	33
Banca del Vomano	8	-	-	-	-	8
Confidi	3	-	-	-	-	3
Other equity investments	1	-	-	-	18	19
Total	3,021	-	-	-	18	3,039

Equity investments in associates are measured using the equity method, according to which the original cost is periodically adjusted (positively or negatively) to reflect both the portion of profit or loss attributable, and other changes in the investee's equity in the periods after the acquisition date.

Equity investments in other companies are measured at cost.

Subsidiaries

Torretta Rijeka d.o.o.

It should be noted that the foreign investee company Torretta Rijeka d.o.o. was put into liquidation in July 2023.

Associates

Consorzio GPO

The book value of the equity investment in Consorzio GPO was originally Euro 8,082 thousand and had been written down in 2014 to align it with the corresponding share of shareholders' equity. For 2023, the valuation at equity involves the recognition of a revaluation of Euro 179 thousand.

The composition of the Consortium Fund has changed compared to last year, following the sale of the share held by AMIA Verona Spa to AGSM AIM Ambiente Srl, and is therefore as follows:

- IRETI Spa equity investment of Euro 12,593 thousand, equal to 62.35%;
- AGSM AIM SpA equity investment of Euro 6,759 thousand, equal to 33.46%;
- AGSM AIM Ambiente Srl equity investment of Euro 845 thousand equal to 4.19% (previously held by AMIA Verona Spa).

Legnago Servizi S.p.A.

This investee company of S.I.T. S.p.A. is the concessionaire for the construction and management of the Integrated Waste Treatment and Disposal System of Torretta di Legnago (VR). The equity investment was written down on the basis of the financial statements as at 31 December 2023.

Si.Ve. Srl

This investee company of AGSM AIM SpA provides environmental health services mainly in the Municipality of Legnago and some neighbouring municipalities. The equity investment was revalued on the basis of the financial statements as at 31 December 2023.

Bovolone Attiva Srl

The company, which was an investee of the sold company AMIA Verona Spa, runs a waste collection and urban health service in the Municipality of Bovolone. Following the sale of AMIA, the equity investment was reversed.

DRV Srl

The company, which was an investee of the sold company AMIA Verona Spa (and indirectly of Società Igiene e Territorio Spa), operates in the sector of plastic recycling from sorted waste collection. Following the sale of AMIA, the equity investment was reversed.

Other companies

Agrilux Srl

The company, an investee of S.I.T. S.p.A., produces electricity from biogas. Following the reorganisation of the AGSM AIM corporate group and to make the representation of information at Group level uniform, the equity investment was reclassified from item b) equity investments in associates to item d-bis) equity investments in other companies. The same reclassification, for comparative purposes, was made to the respective item in the previous year. The valuation amounting to Euro 2,492 thousand has the same value as the previous year.

Parco Eolico Monte Vitalba Srl

Parco Eolico Monte Vitalba Srl operates in the wind power generation and sale sector, managing the wind farm located in the municipality of Chianni in the province of Pisa. The Group holds a 15% equity investment recognised at purchase cost of Euro 161 thousand.

ICQ Holding Spa

The Group signed an agreement with ICQ Holding S.p.A. for the management of a trigeneration plant for the production of electricity, heat and cooling with a power of 1.3 MW paying a consideration of Euro 229 thousand. The inactivity of the plant continued in 2023 due to ongoing technical problems encountered regarding its commissioning. The initiative is fully covered by the provisions for risks allocated in previous years. It should also be noted that following the acquisition from ICQ Holding Spa of AGSM AIM Power Srl by AGSM AIM Spa, some previous charges emerged that were incurred by the investee.

Judgement no. 198/2024 of 29 January 2024 brought to a conclusion, before the Court of Appeal of Venice, the appeal filed by the Municipality of Belfiore for the revision of the judgement of the Court of Verona in which the agreement relating to royalties to be paid to the Municipality of Belfiore had been declared null. The Court fully upheld the judgment of first instance.

Soenergy Srl

The company 15% owned by AGSM AIM ENERGIA S.p.A. was a national operator in the free market of natural gas and electricity until 31 December 2020. On 10 January 2021, the sale of the "energy" customer business unit to Sinergas S.p.A., a trading company of the AIMAG S.p.A. group, was completed with effect from 1 January 2021.

The Company was put into liquidation following the approval of the debt restructuring plan pursuant to Articles 57 and 63 of the Italian Company Crisis and Insolvency Code, obtained by the Court of Ferrara on 21-28/06/2023.

At the time these financial statements were prepared, the approved financial statements were not available. The equity investment has been fully written down.

2.5 Other non-current financial assets

A breakdown of "Other non-current financial assets" as at 31 December 2023 and 2022, is provided below.

Other non-current financial assets	2023	2022	Change	% change
Financial receivables from subsidiaries	48	48	-	0%
Financial receivables from others	21,515	21,331	184	1%
Financial receivables from subsidiaries of parent companies	14,945	-	14,945	N/A
Other securities	7,536	7,397	139	2%
Total	44,044	28,776	15,268	53%

The item Financial receivables from subsidiaries mainly refers to the non-current portion of loans granted to companies. Financial receivables from others refer to the present value of the receivable from the Municipality of Verona for the residual value of the water assets under concession, from the Municipalities of the Valle del Chiampo for the residual

value of the gas network under concession and the receivable from the Municipality of Vicenza for the residual value of assets of the gas network under concession.

Financial receivables from subsidiaries of parent companies refer to the instalments deriving from the sale of Amia Verona Spa shares.

"Other securities" mainly refers to three restricted current accounts of the Provincial Administration of Vicenza for the post-closure charges of the Grumolo delle Abbadesse landfill and the restricted account for the management of the initial post-operation transitional period.

2.6 Deferred tax assets

A breakdown of the item "Deferred tax assets" as at 31 December 2023 and 2022, is provided below.

Deferred tax assets	2023	2022	Change	% change
Deferred tax assets	39,839	41,291	(1,452)	-4%
Total	39,839	41,291	(1,452)	-4%

Receivables for deferred tax assets recognise the receivable for deferred tax assets arising from the costs charged during the current and previous years, which will become tax deductible in subsequent years.

The recovery is due to costs charged in previous years that met the requirements for deductibility from taxable income in 2023, while the increases concern negative income components charged during the year but temporarily without the requirements for deductibility.

2.7 Other non-current assets

A breakdown of "Other non-current assets" as at 31 December 2023 and 2022, is provided below.

Other non-current assets	2023	2022	Change	% change
Receivables from others	139	1,836	(1,697)	-92%
Prepaid expenses	5,264	6,245	(981)	-16%
Security deposits	3,683	40,181	(36,498)	-91%
Total	9,086	48,263	(39,176)	-81%

Among the other non-current receivables, there are security deposits for Euro 3,683 thousand, mainly relating to those required by the Electricity Market Operator to cover the purchase of electricity. This item has undergone a significant decrease due to the partial return of the guarantee for withdrawal dispatching in favour of Terna, as well as the return of the security deposits requested by MET and SNAM suppliers.

Non-current prepaid expenses, amounting to Euro 5,264 thousand, include prepaid expenses for multi-year sponsorship contracts, prepaid fees for multi-year concessions of the gas and energy distribution networks in Vicenza and the gas distribution network in Verona, and prepaid multi-year charges on guarantees, insurance and maintenance fees.

Current assets

2.8 Inventories

A breakdown of "Inventories" at 31 December 2023 and 2022 is provided below.

Inventories	2023	2022	Change	% change
Raw materials, consumables and supplies	17,781	15,740	2,041	13%
Provision for warehouse write-downs	(910)	(920)	10	-1%
Semi-finished products and work in progress	34	26	9	35%
Contract work in progress	42	42	-	0%
Finished products and merchandise	4,327	12,157	(7,830)	-64%
Advances	6	2,800	(2,795)	-100%
Total	21,280	29,845	(8,565)	-29%

The item "Raw materials, consumables and supplies" refers to the materials and fuel in stock intended for the maintenance and operation of existing plants and company vehicles and reflects the natural need for stocks. The aforementioned amount is net of an inventory write-down provision of Euro 910 thousand allocated in previous years to present the balances at their presumed realisable value, which incurred the reduction as shown in the table during the year, as a result of the conditions for the allocation not being met.

Inventories of finished products and merchandise refer to the value of gas in stock measured at the average purchase price intended to be sold by the end of gas year 2023/2024.

2.9 Trade receivables

A breakdown of "Trade receivables" as at 31 December 2023 and 2022, is provided below.

Trade receivables	2023	2022	Change	% change
Trade receivables	383,381	666,755	(283,374)	-43%
Receivables from parents	2,618	2,494	124	5%
Receivables from subsidiaries	(1)	57	(58)	-102%
Receivables from subsidiaries of the parent company	6,589	5,411	1,178	22%
Receivables from associates	24	(10)	34	-337%
Total	392,611	674,706	(282,096)	-42%

Trade receivables

Trade receivables mainly relate to contracts for the supply, transport and wholesale of electricity, methane gas, district heating heat, lighting services and the management of urban health services.

Allowance for doubtful accounts	Opening balance	Accrual	Uses	Other changes	Closing Balance
Allowance for doubtful accounts	29,421	9,778	(4,170)	24	35,053
Total	29,421	9,778	(4,170)	24	35,053

The allowance for doubtful accounts reflects the estimated losses on receivables and expected losses (ECL). It covers the estimate of the risk of losses that derives from past experiences with similar receivables, from the analysis of non-performing receivables (current and historical), losses and recoveries and, finally, from monitoring economic trends and forecasts both currently and prospectively of the Group's business. During 2023, it recorded a provision of Euro 9,778 thousand while Euro 4,170 thousand of it was used to cover derecognised positions, as they were considered uncollectable.

Receivables from parents

Trade receivables from the Municipality of Verona relate to the supply of public lighting, telecommunications, urban health and maintenance services for green areas.

Receivables from subsidiaries of parents

The receivables in question refer to amounts accrued for services and supplies to subsidiaries of the Municipality of Verona, mainly from Acque Veronesi Scarl.

2.10 Current financial assets

A breakdown of the caption "Current financial assets" as at 31 December 2023 and 2022, is provided below.

Current financial assets	2023	2022	Change	% change
Financial derivatives not held as non-current assets	2,653	126	2,527	2009%
Other securities that do not constitute fixed assets	500	-	500	0%
Financial receivables from subsidiaries of parents - current portion	100	-	100	0%
Financial receivables from subsidiaries - current portion	62	-	62	0%
Other equity investments in current assets	21	21	-	0%
Current portion of non-current financial receivables from others	5	5	-	0%
Financial receivables for dividends from associates	-	62	(62)	-100%
Total	3,341	214	3,127	1458%

The main component of current financial assets relates to the item "Financial derivatives" and includes the positive fair value of hedging derivative contracts existing on the measurement date. Details are provided below:

Company	Type	Counterparty	Effective Date	Closing Date	Purpose	Risk hedged	Notional	MU	Fair Value at 31/12/23
AGSM AIM Spa	Interest rate swaps	INTESA SAN PAOLO	N.A.	31/12/2024	Hedging	Interest risk	6,000	Euro	43
AGSM AIM Energia	Commodity swaps	MONTEPASC HI	01/11/2023	31/03/2024	Hedging	Revenue risk	N.A.	Euro	215
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	595	Euro	233
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	593	Euro	202
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	543	Euro	179
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	439	Euro	139
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	369	Euro	119
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	739	Euro	262
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	618	Euro	223
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	607	Euro	214
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	742	Euro	268
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	642	Euro	245
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	787	Euro	218
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	469	Euro	94
									2,653

2.11 Current tax assets

A breakdown of the item "Current tax assets" as at 31 December 2023 and 2022, is provided below.

Current tax assets	2023	2022	Change	% change
Current tax assets – IRES	26,177	25,392	785	3%
Current tax assets – IRAP	2,989	2,516	473	19%
Total	29,166	27,908	1,258	5%

The receivables in question relate to IRES and IRAP.

2.12 Other current assets

A breakdown of the item "Other current assets" as at 31 December 2023 and 2022, is provided below.

Other current assets	2023	2022	Change	% change
Tax receivables	24,907	19,598	5,309	27%
Receivables from CSEA	23,037	75,247	(52,210)	-69%
Current prepaid expenses	3,399	3,328	71	2%
EEC - Energy Efficiency Certificates	1,288	4,002	(2,714)	-68%
Incentive receivables on renewable sources	1,117	2,071	(953)	-46%
Advances to suppliers	576	40,121	(39,546)	-99%
Receivables from subsidiaries	439	(57)	496	-876%
Sundry receivables from associates	-	56	(56)	-100%
Sundry receivables from parent companies	91	91	-	0%
Accrued income	74	12	62	515%
Other receivables	19,334	17,062	2,272	13%
Total	74,262	161,531	(87,268)	-54%

Receivables from CSEA (Cassa per i Servizi Energetici e Ambientali), amounting to Euro 23,037 thousand, mainly include receivables arising from items from the current and previous years, from equalisation in the distribution and metering of gas and electricity, the cancellation of Energy Efficiency Certificates and premiums and indemnities relating to 2023 as well as to previous years. The change compared to the amount for the previous year was impacted by the effects of the introduction in 2022 of government measures to counter high energy bills, i.e. the zeroing of general system charges for distribution users with corresponding reimbursement by CSEA according to collection schedules that have entailed for the Group, as for all distributors in general, the creation of an unprecedented financial requirement.

The item "Tax receivables", which totals Euro 24,907 thousand, is mainly composed of VAT receivables and excise receivables.

The item "Sundry receivables from subsidiaries" refers to receivables for tax consolidation amounting to Euro 439 thousand.

With regard to other current assets, the item Energy Efficiency Certificates (EEC) refers to receivables from the Electricity Market Operator for white certificates in portfolio purchased or produced, amounting to Euro 1,288 thousand to achieve the energy efficiency targets, prudentially assessed at the value of the cancellation contribution.

The item "Other receivables", amounting to Euro 19,334 thousand includes in particular receivables from the GSE and the Electricity Market Operator, receivables for cancellation of EECs and advances.

2.13 Cash and cash equivalents

A breakdown of "Cash and cash equivalents" as at 31 December 2023 and 2022, is provided below.

Cash and cash equivalents	2023	2022	Change	% change
Bank and postal accounts	26,682	18,587	8,095	44%
Cash-in-hand and cash equivalents	108	80	28	35%
Total	26,790	18,667	8,123	44%

For a detail of the changes that occurred during the year, one should refer to the details in the statement of cash flows.

Assets held for sale

2.14 Assets held for sale

Assets held for sale	2023	2022	Change	% change
Assets held for sale	2,486	36,695	(34,209)	-93%
Total	2,486	36,695	(34,209)	-93%

As at 31 December 2023, the Company holds Euro 2,486 thousand of assets held for sale. These include the amount of Euro 2,450 thousand referring to the land for sale located in the Municipality of Rivoli Veronese, which the Group intends to sell at the end of a settlement agreed with the municipality regarding its intended use. The amount reflects the fair value based on an appraisal prepared by an independent expert. In addition, Euro 200 thousand relates to the equity investment in Bovolone sold in January 2024.

In the comparison table, the value as at 31 December 2022 includes the assets of the company AMIA, reclassified as "Assets held for sale" and sold during the month of November 2023. For more details, one should refer to the following table which sets out the effect of the sale of the subsidiary AMIA Verona Spa on the Group's equity and financial position:

Assets/liabilities sold	31/12/2022
Intangible assets	(92)
Property, plant and equipment	(18,830)
Deferred tax assets	(1,980)
Other non-current assets	(13)
Total non-current assets	(20,915)
Inventories	(731)
Trade receivables	(9,684)
Current tax assets	(1,013)
Other current assets	(1,623)
Cash and cash equivalents	(2,730)
Total current assets	(15,780)
Assets sold	36,695
Employee benefits	3,635
Provision for risks and charges	641
Total non-current liabilities	4,276
Current financial liabilities	6
Trade payables	9,712
Current tax liabilities	30
Other current liabilities	7,325
Total current liabilities	17,073
Liabilities disposed	(21,349)
Net assets and liabilities sold	15,347

Equity

2.15 Equity

Equity	Share capital	Share premium/contribution reserve	Revaluation surplus	Legal reserve	Extraordinary reserve	Provision for grants related to plants	Transformation reserves as per Law 127/97	IFRS FTA Reserve	Other reserves
Opening Balance	95,588	384,339	7,183	13,139	8,758	3,194	34,836	(879)	15,048
Allocation of the result	-	-	-	712	-	-	-	-	654
Changes in scope	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	(4,883)	-	-	-	-
Reclassifications	-	-	201	2,497	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	16,305
Other changes	-	-	-	-	-	-	-	-	-
Foreign exchange difference	-	-	-	-	-	-	-	-	204
Net profit (loss) for the year	-	-	-	-	-	-	-	-	-
Closing Balance	95,588	384,339	7,385	16,348	3,875	3,194	34,836	(879)	32,212

Equity	Cash flow hedge reserve	Retained earnings/(losses)	Consolidation reserve	Profit (loss) for the year	Group total equity	Minority interests in share capital and reserves	Minority interests	Total minority interests	Total equity
Opening Balance	96	26,291	18,951	46,459	653,003	18,217	2,939	21,155	674,159
Allocation of the result	-	45,092	-	(46,459)	-	2,939	(2,939)	-	-
Changes in scope	-	773	128	-	901	(773)	-	(773)	128
Dividends paid	-	(33,117)	-	-	(38,000)	(3,197)	-	(3,197)	(41,197)
Reclassifications	-	(2,698)	-	-	-	-	-	-	-
Other comprehensive income	(53)	-	-	-	16,252	549	-	549	16,801
Other changes	-	(400)	-	-	(400)	167	-	167	(233)
Foreign exchange difference	-	-	-	-	204	131	-	131	335
Net profit (loss) for the year	-	-	-	27,057	27,057	-	2,348	2,348	29,405
Closing Balance	43	35,940	19,079	27,057	659,017	18,033	2,348	20,381	679,398

Pursuant to Article 2427, point 7 bis, of the Italian Civil Code, it should be noted that the legal reserve can only be used to cover losses and the other reserves cannot be distributed as regards the portion deriving from the allocation of revaluations of equity investments valued at equity, while all other reserves can be used to cover losses, to increase the share capital and also for distribution to shareholders.

The share capital of AGSM AIM S.p.A. equal to Euro 95,588 thousand is owned 61.2% by the Municipality of Verona and 38.8% by the Municipality of Vicenza and consists of 63,725,490 ordinary shares with a nominal value of Euro 1.5 each.

The Share premium/contribution reserve from shares/contributions amounts to Euro 384,339 thousand. It was set up in 1999 following the completion of the Special Enterprise's valuation process and decreased by Euro 2,921 thousand in 2001 in relation to the free capital increase, concurrently with the conversion into euro. In 2021, it increased even further following the increase approved for the issue of the shares to be assigned to the shareholders of the merged Companies, as part of the extraordinary transaction for the re-organisation of the Group.

The legal reserve of Euro 16,348 thousand was increased during the year due to the allocation of previous profits.

The extraordinary reserve of Euro 3,875 thousand decreased compared to the previous year due to the distribution of Euro in dividends.

The reserve for contributions of Euro 3,194 thousand includes the residual portions (not included in the abovementioned share premium/contribution reserve) of contributions for investments received up to 31 December 1997 and recognised under the equity components, in line with the accounting criteria adopted up to that date.

The reserve for adjusting values under Law 127/97 for Euro 34,836 thousand was recognised in 2000 following the adjustment of the values of the assets contributed by the Special Enterprise to the joint stock company on 1 January 2000, based on the valuations prepared by the Board of Directors with reference to the appraisal prepared pursuant to and for the purposes of Article 2343 of the Italian Civil Code.

The IFRS FTA reserve represents the amount as at 1 January 2021 for the adoption of IAS/IFRS.

The cash flow hedge reserve, recognised at a value of Euro 43 thousand, corresponds to the valuation using the Cash Flow Hedge method of derivatives with purchased gas as its underlying. The value is recognised net of tax effects. As provided for in Article 2426, paragraph 1, number 11-bis, of the Italian Civil Code: "equity reserves arising from the fair value measurement of derivatives used to hedge the expected cash flows of another financial instrument or planned transaction are not considered in the calculation of equity for the purposes of Articles 2412, 2433, 2442, 2446 and 2447 and, if positive, are not available and cannot be used to cover losses."

Retained earnings, which amounted to Euro 35,940 thousand, increased due to the allocation of the previous year's result and decreased due to the distribution of dividends and reclassifications to the legal reserve and revaluation reserve.

Profit for the year

Consolidated profit for the year amounted to Euro 27,057 thousand and includes the profit for the period of the AGSM AIM Group.

Minority interests

Minority interests amounted to Euro 20,381 thousand, of which Euro 2,348 thousand for profits.

Statement for reconciliation between Parent Company and consolidated financial statements

Statement of reconciliation	2023		2022	
	Profit (Loss)	Equity	Profit (Loss)	Equity
Statutory values of AGSM AIM SpA	44,537	587,622	14,242	579,148
Elimination of the effects of transactions between consolidated companies	-	(185)	(4)	(149)
Dividends received from consolidated companies	(63,828)	-	(33,590)	-
Value of consolidated equity investments		(655,440)		(671,561)
Equity and profit (loss) of consolidated companies	55,572	613,668	69,617	628,959
Amortisation of Deficits	(3,837)	113,259	(3,760)	115,352
Effect of other adjustments	(5,387)	94	(54)	1,254
Balances of the Consolidated Financial Statements attributable to the Group	27,057	659,017	46,452	653,003
Balances of the Consolidated Financial Statements attributable to minority interests	2,348	20,381	2,939	21,155
Total consolidated financial statements balances	29,405	679,398	49,391	674,158

Non-current liabilities

2.16 Non-current financial liabilities

A breakdown of the item "Non-current financial liabilities" at 31 December 2023 and 2022 is provided below.

Non-current financial liabilities	2023	2022	Change	% change
Bonds	-	10,014	(10,014)	-100%
Payables to shareholders for loans	-	133	(133)	-100%
Bank loans	152,398	200,886	(48,488)	-24%
Loans and borrowings from other financial backers	3,972	4,598	(627)	-14%
Total	156,370	215,631	(59,261)	-27%

The following table shows the main changes in non-current financial liabilities that occurred during the year:

	Opening balance	Increase s	Decreases	Other changes	Reclassification s	Foreign exchange difference	Closing Balance
Bonds – non-current portion	10,014	-	40	-	(10,054)	-	-
Bank loans	200,886	252,776	2,931	56	(304,305)	55	152,398
Total	210,899	252,776	2,971	56	(314,359)	55	152,398

The initial balance of Bonds consisted of the non-current portion of the non-convertible, unsubordinated and unsecured bond loan, with an original value of Euro 70,500 thousand, placed on the Main Securities Market, a regulated market managed by the Euronext Dublin Irish Stock Exchange. The first issue of Euro 50,000 thousand was listed on 20/09/2017, while a second tranche amounting to Euro 20,500 thousand was issued on 17/09/2018. This loan will be extinguished during the next financial year, therefore, as of 31 December 2023, the non-current portion is zero.

The total amount of long-term bank loans of Euro 152,398 thousand represents the principal amount of mortgage loans. The total amount of bank loans, including the short-term portion of the principal amount, as reported under current liabilities, is

Euro 203,646 thousand and includes the loan of Euro 150,000 raised in August 2022. The amount refers to the nominal value of the loans net of Euro 498 relating to amortised cost.

In February 2023, the parent company subscribed, through special bank pools, two SACE-guaranteed financing lines: A Euro 250 million term loan intended to finance the cash needs of AGSM AIM ENERGIA connected to the trend in the purchase prices of gas and electricity, and a Revolving Credit Facility (RCF) for Euro 100 million whose conditions for use have not occurred. The return of financial needs connected to a normalisation of energy price curves allowed the Company, in order to optimise financial charges, to reimburse the 250 million line in October 2023 while the 100 million RCF line will be extinguished in the early months of 2024.

Loans granted by banks require compliance with certain covenants, which, as at 31 December 2023, have been met.

The costs incurred by the Company to obtain bank loans were initially recognised with a reduction in financial liabilities and subsequently recognised among financial expenses using the amortised cost method in accordance with IFRS 9.

Loans and borrowings from other financial backers include the non-current portion of lease payables for property, plant and equipment recorded in accordance with IFRS 16.

2.17 Employee benefits

The breakdown of the item “Employee benefits” at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below.

Employee benefits	Opening balance	Accruals	Change in scope	Reclassifications	Uses	Other changes	Other compr. income - Employee benefits	Closing Balance
TFR	15,200	3,377	22	2	(2,176)	(2,517)	196	14,104
Provision for rate discounts	8,882	380	-	-	(499)	97	(2,391)	6,469
Total	24,081	3,756	22	2	(2,675)	(2,420)	(2,195)	20,572

In compliance with IAS 19, the employee severance indemnities (TFR) and discounts from tariff rates applied to former employees have been considered as defined benefit obligations and consequently, the related liability is measured using actuarial techniques. In accordance with IAS 19, actuarial valuations are carried out based on the accrued benefit method using the Projected Unit Credit Method. This method calculates the TFR accrued at a specified date on an actuarial basis, allocating the charge over the residual work life of current employees.

The technical assessments required by the application of IAS 19 were carried out on the basis of the technical-economic assumptions set out below.

Summary of the technical and economic bases	2023	2022
Discounting annual rate	3.17%	3.77%
Annual inflation rate	2.00%	2.30%
TFR annual growth rate	3.00%	3.22%
Effective annual remuneration growth rate	0.75%	0.75%

It should be noted that:

- the annual discount rate used to determine the current value of the bond has been calculated, in line with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ recorded at the valuation date. To this end, the yield was chosen with a duration comparable to the duration of the group of workers being assessed;
- the annual rate of increase in severance pay, as provided for by Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual rate of wage increase is applied exclusively for Companies with an average of less than 50 employees during 2006.

Below are the technical-demographic assumptions used:

Summary of technical-demographic bases **2023**

Death	RG48 mortality tables published by the Italian State General Accounting Department
Disability	INPS tables divided according to age and gender
Retirement	100% upon reaching the AGO requirements

Advances and turnover	Advances	Turnover
AGSM AIM Spa	2.00 %	0.50 %
AGSM AIM Energia Spa	2.00 %	1.10 %
V-Reti Spa	2.00 %	0.50 %
AGSM AIM Smart Solution Srl	2.00 %	0.50 %
AMIA Verona Spa	2.00 %	0.50 %
Cons. Canale Camuzzoni Scarl	1.00 %	0.50 %
Transeco Srl	5.00 %	3.00 %
Serit Srl	2.00 %	0.50 %
Valore Ambiente Srl	1.75 %	3.50 %
Società Intercomunale Ambiente Srl	1.75 %	3.50 %
Società Igiene Territorio Spa	1.75 %	3.50 %
Tre V Ambiente Srl	1.75 %	3.50 %
AGSM AIM Power Srl	2.00 %	0.50 %
AGSM AIM Calore Srl	2.00 %	0.50 %
Cogas Più Energie	1.75 %	3.50 %

The following table shows the reconciliation between the IAS 19 assessment and the Statutory severance indemnity fund as at 31 December 2023.

Reconciliation of IAS 19 severance indemnities and Statutory severance indemnities	Defined benefit obligation	Statutory severance indemnity	Surplus/(Deficit)
AGSM AIM Spa	2,832	2,964	132
AGSM AIM Energia Spa	1,080	1,136	56
V-Reti Spa	5,426	5,689	263
AGSM AIM Smart Solution Srl	426	452	26
AMIA Verona Spa	2,968	3,085	117
Cons. Canale Camuzzoni Scarl	215	233	18
Transeco Srl	211	208	(3)
Serit Srl	392	385	(6)
Valore Ambiente Srl	1,030	1,074	44
Società Intercomunale Ambiente Srl	52	54	2
Società Igiene Territorio Spa	-	-	-
Tre V Ambiente Srl	77	77	-
AGSM AIM Power Srl	1,125	1,187	62
AGSM AIM Calore Srl	935	984	49
Cogas Più Energie	307	325	18
Total	17,075	17,853	778

Finally, it should be noted that the severance indemnity was valued net of revaluation tax.

The new IAS 19, for defined benefit plans of the post-employment type, requires a series of additional information, which must be reported in the Notes to the Financial Statements, such as:

- sensitivity analysis for each relevant actuarial assumption at the end of the year, showing the effects that would have occurred as a result of the changes in the actuarial assumptions reasonably possible at that date, in absolute terms;

- indication of the contribution for the following year;
- indication of the average financial duration of the bond for defined benefit plans;
- disbursements provided for by the plan.

This information is provided below.

Sensitivity analysis	Turnover +1%	Turnover -1%	Inflation +0.25	Inflation -0.25	Discount rate +0.25	Discount rate -0.25
Employee severance indemnities (TFR)	17,124	17,022	17,271	16,883	16,782	17,377
Rate discounts	N.A.	N.A.	6,646	6,295	6,644	6,297

Service cost and Duration	Service Cost	Duration
Employee severance indemnities (TFR)	247	9
Rate discounts	120	14

Estimated future severance indemnity disbursements	1	2	3	4	5
AGSM Group	1,866	1,032	1,380	592	1,585

2.18 Provision for risks and charges

A breakdown of the "Provision for risks and charges" as at 31 December 2023 and 2022, is provided below.

Provision for risks and future charges	Opening balance	Accruals	Percentage var./Method change	Uses	Reclassifications	Other changes	Closing Balance
Provision for retirement costs and similar obligations	397	17	-	-	-	-	415
Provision for future charges	31,809	1,646	-	(4,283)	774	124	30,071
Provision for sundry risks	22,473	8,852	(141)	(1,251)	(599)	(172)	29,162
Total	54,679	10,515	(141)	(5,534)	175	(47)	59,647

The provision for future charges includes estimated charges that the Group will incur in future years, mainly:

- Euro 9,770 thousand related to cyclical maintenance, dismantling charges, demolition, and environmental restoration of the electricity and cogeneration power plants;
- Euro 5,203 thousand for charges relating to concessions with the Municipality of Vicenza and with some Municipalities of the Province of Vicenza for the distribution of gas, attributable to the uncertainty over the extension of the distribution service and in particular towards the Municipality of Vicenza to take into account the shorter duration of the concession itself as a result of current legislation, depending on the award of the tender;
- Euro 12,760 thousand for the post-closure works to be carried out at the Grumolo delle Abbadesse landfill and Euro 1,093 thousand for the post-closure works at the Lonigo landfill.

The use of Provisions for future charges, amounting to Euro 4,283 thousand, mainly refers to the charges foreseen following the early termination of the Public Lighting concession of the Municipality of Vicenza and the adjustment of the cyclical maintenance fund still to be carried out on the cogeneration plants.

The Provisions for sundry risks includes a prudential estimate of the amounts that may be due to third parties as a result of interpretations of sector regulations for about Euro 15,009 thousand, allocations for disputes and contractual risks for Euro 8,456 thousand and allocations for other disputes with employees and other personnel.

2.19 Deferred tax liabilities

A breakdown of the item "Deferred tax liabilities" as at 31 December 2023 and 2022, is provided below.

Deferred tax liabilities	Opening balance	Accruals	Uses	Other income components	Other changes	Closing Balance
Provisions for taxes, including deferred tax liabilities	32,748	276	(2,459)	606	(5)	31,167
Total	32,748	276	(2,459)	606	(5)	31,167

The provision for deferred taxes includes the payable for deferred tax liabilities on positive income components recognised in 2023 or in previous years, which do not show the characteristics for contributing to the taxable income for the current year. Deferred tax liabilities originated mainly from differences between the statutory and tax values of fixed assets. Uses are mainly attributable to the reversal of tax depreciation carried out in previous years and the tax effect of fair value allocated within the purchase price allocation.

2.20 Other non-current liabilities

A breakdown of "Other non-current liabilities" as at 31 December 2023 and 2022, is provided below.

Other non-current liabilities	2023	2022	Change	% change
Provisions for financial instrument liabilities	-	16,744	(16,744)	-100%
Advances	3,315	3,284	31	1%
Other non-current payables	528	573	(44)	-8%
Deferred income	26,604	26,850	(246)	-1%
Total	30,448	47,451	(17,004)	-36%

Deferred income is mainly composed of prepaid capital grants related to plants recognised to profit or loss on the basis of the useful life of the assets to which they refer, from the moment they enter into operation.

The item "Advances" refers to services not yet provided, with respect to advanced collections.

Current liabilities

2.21 Current financial liabilities

A breakdown of the item "Current financial liabilities" as at 31 December 2023 and 2022, is provided below.

Current financial liabilities	2023	2022	Change	% change
Bank borrowings	157,348	364,811	(207,463)	-57%
Payable to the Municipality of Verona for approved dividends	39,780	41,656	(1,876)	-5%
Payable to the Municipality of Vicenza for approved dividends	31,220	19,476	11,744	60%
Bonds	10,054	10,071	(17)	0%
Loans and borrowings from other financial backers	2,450	2,454	(5)	0%
Total	240,852	438,469	(197,617)	-45%

Bank debt decreased during the year. Current account liabilities amounted to Euro 105,378 thousand, while loans with short-term maturities amounted to Euro 51,248. During the year new short-term loans were disbursed for a total of Euro 102,496 thousand. The portion of mortgage loans repaid in 2023 was Euro 320,680 thousand.

The return of gas and electricity price curves has led to a significant reduction in bank exposure in the short term (-207,463 thousand).

Financial payables to the Municipality of Verona refer to dividends approved in 2022 and 2023.

The payable to the Municipality of Vicenza relates to the distribution of dividends approved in 2021, 2022 and 2023.

The item "Bonds" consists of the current portion of the bond already commented on under non-current financial liabilities.

The item "Loans and borrowings from other financial backers" include the short-term portion of lease liabilities on property, plant and equipment recognised in the financial statements in accordance with the financial method for accounting for leases restated according to the principles set out in IFRS 16.

2.22 Trade payables

A breakdown of "Trade payables" as at 31 December 2023 and 2022, is provided below.

Trade payables	2023	2022	Change	% change
Advances	2,159	3,879	(1,720)	-44%
Trade payables	258,174	371,692	(113,519)	-31%
Payables to parent companies	53	2,142	(2,090)	-98%
Payables to subsidiaries	-	87	(87)	-100%
Payables to associates	-	38	(38)	-100%
Payables to subsidiaries of the parent companies	2,092	559	1,533	274%
Total	262,477	378,398	(115,921)	-31%

Payables to suppliers, net of the credit notes to be received, include both payables for invoices received, but not yet past due, and payables accrued in relation to the relevant purchases and services received in the following year.

2.23 Current tax liabilities

A breakdown of the item "Current tax liabilities" as at 31 December 2023 and 2022, is provided below.

Current tax liabilities	2023	2022	Change	% change
Current tax payables for IRES	18,063	9,350	8,714	93%
Payable for solidarity contribution as per Law 197/22	-	5,551	(5,551)	-100%
Current tax payables for IRAP	1,679	1,093	586	54%
Total	19,742	15,993	3,749	23%

Current tax liabilities refer to current IRES (corporate income tax) and IRAP (regional tax on productive activity) taxes for the year.

The payable for solidarity contribution recorded in the previous year and which referred to the "temporary solidarity contribution" introduced by the Italian 2023 Budget Law, in Article 1 paragraphs 115 to 119, precisely because of its extraordinary and temporary nature is no longer present as it has not been renewed for the year in question.

2.24 Other current liabilities

A breakdown of "Other current liabilities" as at 31 December 2023 and 2022, is provided below.

Other current liabilities	2023	2022	Change	% change
Security deposits	17,870	17,115	755	4%
Payables to CSEA	14,851	13,562	1,289	10%
Tax payables	13,553	15,262	(1,709)	-11%
Deferred income	11,474	10,027	1,446	14%
Payables for excise duties	9,793	18,527	(8,734)	-47%
Payables to employees	7,461	6,813	648	10%
Payables to social security and welfare institutions	5,304	4,997	308	6%
Payable for collection of RAI TV licence fee	2,599	2,198	401	18%
Sundry payables to subsidiaries	1,292	16	1,276	7803%
Accrued expenses	805	1,106	(301)	-27%
Sundry payables to subsidiaries of parent companies	11	-	11	0%
Sundry payables to parent companies	-	49	(49)	-100%
Other current payables	38,686	17,303	21,383	124%
Total	123,699	106,976	16,724	16%

The item "Security deposits" includes the payables for security deposits received from customers at the time of signing service supply contracts.

The item "Tax payables" mainly includes the Group's VAT payable to the Tax Authorities.

The item "Payables for excise duties" refers mainly to excise duties due for energy and gas.

The item "Payables to CSEA" mainly refers to equalization and adjustment amounts relating to the gas and energy distribution service for 14,441 thousand and 304 thousand to electricity equalization adjustments not yet paid at the end of the year.

Deferred income mainly refers to grants related to plants, as well as to gas and electricity distribution, connections, networks and concessions.

The item "Payables to employees" includes the consideration due to employees for the productivity bonus and holidays accrued and not taken as at 31 December 2023.

The "Social security charges payable", includes the payables to INPS, "Gestione Separata" (separate pension fund), INPDAP and various supplementary pension institutions.

The item "Payable for collection of the RAI TV licence fee" refers to the payable to the Italian Revenue Agency for the amount stated and collected in the electricity bills.

The item "Other current payables" mainly consist of payables to users related to bills and payables to the Municipality of Vicenza related to collections received on behalf of the Municipality for TARI (waste collection tax).

2.25 Liabilities held for sale

The value as at 31 December 2022 includes the liabilities of the company AMIA, reclassified as "Assets held for sale" and sold during the month of November 2023. For more details, one should refer to the note "Profit (loss) from discontinued operations, net of tax effects".

Notes to the Consolidated Income Statement

2.26 Revenue from sales and services

Below is a breakdown by business category of the item "Revenue from sales and services" for the financial years ended 31 December 2023 and 2022 with an indication of the change.

Revenue from sales and services	2023	2022	Change	% change
Revenue from electricity	1,335,785	2,371,544	(1,035,759)	-44%
Revenue from methane gas	508,364	681,633	(173,268)	-25%
Fees for collection and sweeping	62,919	61,227	1,693	3%
Revenue from heat	33,122	54,162	(21,039)	-39%
Revenue from waste treatment	14,249	6,960	7,288	105%
Revenue from public lighting	12,566	12,190	376	3%
Revenue from sales of recycled materials	4,218	4,895	(676)	-14%
Revenue from connections	2,350	2,849	(498)	-17%
Revenue from fibre optics	1,899	2,067	(168)	-8%
Income from car parks and parking services	1,830	4,252	(2,422)	-57%
Intercompany revenue	1,587	4,370	(2,783)	-64%
Revenue from electric mobility	342	36	307	856%
Sundry revenue	(1,220)	(10,539)	9,318	-88%
Total	1,978,013	3,195,646	(1,217,633)	-38%

The current year was characterised by a gradual return to balanced energy prices close to pre-war values. With regard to changes in the values of individual revenue items, one should refer to the general macroeconomic dynamics and events that have affected the company already described in the relevant paragraphs of the Report on Operations.

Revenue from electricity amounted to Euro 1,335,785 thousand and relates to the production, distribution and sale of electricity to end customers and wholesalers.

Revenue from the sale of heat amounted to Euro 33,122 thousand and refers to the sale of heat for district heating in the urban networks of Verona and Vicenza.

Total revenue from methane gas, amounting to Euro 508,364 thousand, relates to the distribution and sale of gas to end customers and wholesale customers and reflects the price fluctuations of this commodity.

The reduction in revenue related to the three items mentioned above is mainly due to the trend in energy and gas prices as well as to the mild temperatures recorded in the year 2023.

Revenue from public lighting, amounting to Euro 12,566 thousand, refers to services carried out in the Municipalities where the concession for the management of the service was obtained, and in particular, to the project financing contract for the management of public lighting entered into with the Municipality of Verona, including the supply of electricity, with a duration until 2037.

Revenue from telecommunications services, amounting to Euro 1,899 thousand, refers to the rent of the fibre optic network and connectivity services, partly rendered to the Municipalities of Verona and Vicenza.

Revenue from car parks and parking services for Euro 1,830 thousand relates to fees for the management of the parking service in the Municipality of Vicenza.

Revenue from urban health services, totalling Euro 62,919 thousand, relates to the collection and transport of urban waste mainly in the provinces of Verona and Vicenza.

Revenue from solid urban waste treatment, amounting to Euro 14,249 thousand, relates to customers, public entities or companies operating in the management of waste services in the Province of Vicenza and in Albania.

Sundry revenue shows a negative balance of Euro 1,220 because it includes the recognition of the social bonus paid to electricity and gas end customers in accordance with the decrees issued by the Government to mitigate high energy bills. However, this bonus was recognised to a significantly lesser extent than in the previous year. They also include water network rents and services provided to Acque Veronesi Scarl and Viacque srl, for Euro 4,898 thousand, and revenue from the cancellation of black certificates for Euro 3,914 thousand.

Revenue by geographic area

The revenue mentioned above was achieved in Italy, especially in the cities of Verona and Vicenza, in addition to their provinces. With regard to urban health services, it was partly achieved in the city of Tirana (Albania), despite the insignificant impact in comparison to the Group's total revenue.

2.27 Change in inventories

Change in inventories of finished products and goods	2023	2022	Change	% change
Change in product inventories	(7,821)	9,877	17,698	-179%
Total	(7,821)	9,877	17,698	-179%

This item refers to the change in values of gas in storage intended for sale.

2.28 Other revenue

A breakdown of "Other revenue" is provided below for the financial years ended 31 December 2023 and 2022.

Other revenue	2023	2022	Change	% change
Other revenue	10,224	8,944	1,280	14%
Electricity market revenue	7,981	6,160	1,821	30%
Contingent items and non-realised losses	5,990	14,515	(8,525)	-59%
Grants for current expenses	5,332	11,281	(5,949)	-53%
Contributions/grants	2,483	2,440	43	2%
Indemnities, reimbursements and other	1,495	1,005	490	49%
Gains	1,453	896	557	62%
Real estate income	1,077	1,065	12	1%
Revenue from services to third parties	1,023	1,371	(348)	-25%
Certified revenue	581	1,209	(628)	-52%
Other revenue	37,640	48,886	(11,246)	-23%
Increases in non-current assets	34,819	26,059	8,759	34%
Total	72,458	74,946	(2,487)	-3%

The main component of the item "Other revenue" mainly includes the offsetting entry for the tax credit generated as a result of the 2022 "Aiuti Bis" Decree, amounting to Euro 4,221 thousand.

The item related to contingent items and non-realised losses totalled Euro 5,990 thousand and included the differences between the estimated or unforeseeable amounts for the year 2022 and those actually achieved in the year of accrual and the reversal of provisions for risks that turned out to be non-existent.

The item "Grants for current expenses", amounting to Euro 5,332 thousand, mainly includes incentives on production from renewable sources, as required by Ministerial Decree of 6 July 2012, and grants for current expenses in the exploitation of photovoltaic renewable energy sources.

The increases in fixed assets, amounting to Euro 34,819 thousand, include the costs relating to the consumables used, the personnel employed for the construction of company plants and for the additional maintenance carried out for the technological upgrade of the production plants.

Operating costs

2.29 Costs for raw materials and consumables

A breakdown by business category of "Costs for raw materials and consumables" is provided below for the financial years ended 31 December 2023 and 2022.

Costs for raw materials and consumables	2023	2022	Change	% change
Electricity	763,475	1,766,873	(1,003,399)	-57%
Gas	410,134	784,255	(374,122)	-48%
Purchase of materials	32,461	35,606	(3,145)	-9%
Purchase of heat	503	1,242	(740)	-60%
Change in inventories	(1,787)	(4,282)	2,495	-58%
Total	1,204,785	2,583,695	(1,378,910)	-53%

Please refer to the Report on Operations for an analysis of the various factors that influenced this item, both in terms of volume and price.

Purchases of electricity amounted to Euro 763,475 thousand and refer to the energy purchased by sourcing for sale to end and wholesale customers.

Purchases of gas amounted to Euro 410,134 thousand and refer to the gas purchased by sourcing for sale to end and wholesale customers and for the needs of the electricity production plants.

The item "Purchase of materials", amounting to Euro 32,461, mainly refers to purchases for consumables, fuel, and maintenance materials that were also purchased during the year by AGSM AIM Group companies to build up warehouse stock.

The item "Purchase of heat" of Euro 503 thousand refers to the procurement of heat from third parties.

The item "Change in inventories" refers to the decrease in materials in stock.

2.30 Services

A breakdown of "Services" is provided below for the financial years ended 31 December 2023 and 2022.

Services	2023	2022	Change	% change
Electricity and gas transport costs	451,427	276,951	174,476	63%
Costs for works and maintenance	19,546	19,553	(7)	0%
Commissions	17,498	11,355	6,143	54%
Costs for disposal	13,300	12,484	816	7%
Other services	6,747	6,792	(45)	-1%
Hardware and software maintenance	6,196	4,266	1,929	45%
Various outsourced services	5,338	5,145	193	4%
Professional services	5,152	6,665	(1,514)	-23%
Insurance	3,749	4,193	(444)	-11%
Personnel costs	3,703	2,953	750	25%
Intercompany services	3,648	3,440	208	6%
Bank services	3,416	2,988	428	14%
Delivery and bill collection charges	2,773	2,008	765	38%
Security, cleaning and portorage	2,709	2,156	553	26%
IT services	2,377	2,812	(436)	-15%
Advertising and sponsorships	1,869	2,408	(539)	-22%
Service agreement charges	1,503	1,483	20	1%
Telephony expenses	1,319	1,278	41	3%
Directors' remuneration	1,072	1,308	(236)	-18%
Board of Statutory Auditors fees	484	518	(34)	-7%
Internal consumption for office use	312	424	(112)	-26%
Meter reading	199	288	(89)	-31%
Temporary employment	173	670	(497)	-74%
Maintenance of green areas: greenhouses and gardens	3	35	(32)	-90%
Total	554,511	372,174	182,337	49%

The most significant item refers to electricity and gas transport, equal to Euro 451,427 thousand and represents the pass-through items related to the transport of electricity and gas. The item also includes pass-through chargebacks to offset EUAs amounting to Euro 3,914 thousand. This item was greatly affected by the price dynamics of the energy market. For more information, reference should be made to the report on operations.

The item "Costs for works and maintenance" mainly refers to services for maintenance of production plants and networks for Euro 19,546 thousand.

The item "Commissions", equal to Euro 17,498 thousand, refers to the recognition of commissions on commercial sales.

Waste disposal costs, amounting to Euro 13,300 thousand, refer to the charges incurred by the Group in connection with environmental health activities.

The item "Various outsourced services", amounting to Euro 5,338 thousand, includes costs relating to call centre activities, enveloping and collection of invoices and external processing relating to waste collection and treatment.

2.31 Leases and rentals

A breakdown of "Leases and rentals" is provided below for the financial years ended 31 December 2023 and 2022.

Leases and rentals	2023	2022	Change	% change
Rent for the use of third-party networks	5,087	5,056	30	1%
Rents and leases	1,619	1,208	411	34%
Rentals	754	1,317	(563)	-43%
Concession charges	711	1,583	(872)	-55%
Lease payments	87	322	(235)	-73%
Total	8,257	9,487	(1,230)	-13%

Concession charges include the fee for parking management activities in the Municipality of Vicenza amounting to Euro 539 thousand.

Residual items include rental and lease costs, as well as costs for hiring the company's industrial vehicles, and costs for concessions.

2.32 Other operating costs

A breakdown of "Other operating costs" is provided below for the financial years ended 31 December 2023 and 2022.

Other operating costs	2023	2022	Change	% change
Purchase of certificates	10,752	22,237	(11,485)	-52%
Crossing fees	4,319	4,352	(33)	-1%
Contingent liabilities	2,792	9,794	(7,002)	-71%
Losses on disposals and non-realised gains	1,653	1,988	(335)	-17%
Other taxes and duties	1,544	2,508	(963)	-38%
IMU (municipal property tax) and TASI (municipal tax)	1,530	1,503	27	2%
Indemnities	1,497	196	1,301	662%
Other general expenses	1,449	1,651	(202)	-12%
Authority Contribution	672	642	30	5%
Donations	170	283	(113)	-40%
Total	26,379	45,154	(18,774)	-42%

The item "Purchase of certificates", amounting to Euro 10,752 thousand, refers to the purchase of EUAs (European Emission Allowances) necessary to fulfil the offset obligation for the Group's plants subject to the "Emission Trading" Directive.

Contingent liabilities amount to Euro 2,792 and include adjustments and corrections of estimates referring to previous years and adjustments for the imbalance of consumption units.

The item "Losses on disposals", amounting to Euro 1,653 thousand, refers to the write-off of obsolete assets that are no longer usable.

2.33 Personnel costs

This item consists of the entire outlay for employees, including the cost of unused holiday leave, and statutory provisions for collective bargaining agreements. The table below gives a breakdown of the figure for the financial years ended 31 December 2023 and 2022:

Personnel costs	2023	2022	Change	% change
Wages and salaries	66,497	63,801	2,695	4%
Social security contributions	20,239	19,392	847	4%
Employee severance indemnities	3,682	3,984	(302)	-8%
Other personnel costs	1,375	1,272	103	8%
Employee pensions and similar obligations	3	2	1	34%
Total	91,796	88,452	3,344	4%

The table below shows the number of employees broken down by category.

Headcount	2022	Recruitment	Terminations	Change in scope	Other changes	2023	Average
Senior managers	23	1	0	-3	-2	19	19
Middle managers	69	4	0	-11	0	62	59
White collar workers	740	99	-141	-83	76	691	676
Blue collar workers	1,544	124	-56	-481	-82	1,049	1,054
Total	2,376	228	-197	-578	-8	1,821	1,808

The total workforce as at 31 December 2023 was 1,821 with an overall decrease of 555 compared to 31 December 2022. The reduction is mainly due to the change in scope resulting from the sale of AMIA. The average personnel cost amounts to Euro 51 thousand.

2.34 Amortisation, depreciation, accruals and impairment

A breakdown of "Amortisation, depreciation, accruals and impairment" is provided below for the financial years ended 31 December 2023 and 2022.

Amortisation, depreciation, accruals and impairment	2023	2022	Change	% change
Intangible assets	31,466	30,154	1,311	4%
Property, plant and equipment	40,822	41,476	(655)	-2%
Total amortisation/depreciation	72,288	71,631	657	1%
Write-down of receivables	9,778	10,720	(942)	-9%
Total impairment and write-downs	9,778	10,720	(942)	-9%
Provisions for liabilities	8,852	13,524	(4,672)	-35%
Other provisions	1,646	2,071	(425)	-21%
Total provisions	10,498	15,595	(5,097)	-33%
Total	92,563	97,945	(5,382)	-5%

Amortisation/depreciation and impairment of non-current assets

Amortisation/depreciation reflects the normal depreciation of non-current assets over their useful life.

Impairment of receivables and cash and cash equivalents

Impairment of receivables refers to the accrual for the year to the allowance for doubtful accounts to express the receivables at their presumed realisable value.

Provisions for risks and other provisions

Provisions for the year mainly refer to potential liabilities deriving from regulatory interpretations for Euro 8,231 thousand as well as specific provisions for the completion of landfills for Euro 1,646 thousand.

Financial income and expenses

2.35 Income from equity investments

A breakdown of "Income from equity investments" is provided below for the financial years ended 31 December 2023 and 2022.

Income from equity investments	2023	2022	Change	% change
Income from equity investments in associates	374	-	374	N/A
Income from equity investments in other companies	44	9	35	376%
Total	418	9	409	4408%

Income from equity investments mainly includes dividends received, which are then recognised following the approvals for distribution by the shareholders' meetings of these companies.

2.36 Financial income

A breakdown of "Financial Income" is provided below for the financial years ended 31 December 2023 and 2022.

Financial income	2023	2022	Change	% change
Income from related companies	71	-	71	N/A
Income from subsidiaries of parents	-	3	(3)	100%
Income from other companies	10	-	10	N/A
Default interest income	1,939	1,811	128	7%
Interest income on bank and postal savings accounts	3,413	51	3,362	6607%
Other interest income	443	752	(309)	-41%
Total	5,875	2,617	3,258	125%

Financial income mainly includes default interest on customers and interest income on current accounts.

2.37 Financial expenses

A breakdown of "Financial expenses" is provided below for the financial years ended 31 December 2023 and 2022.

Financial expenses	2023	2022	Change	% change
Interest expenses on loans	20,520	3,684	16,837	457%
Interest expenses on current account overdrafts	2,397	2,788	(391)	-14%
Interest expenses on medium-term loans	1	7	(5)	-81%
Interest expenses on leases	185	1,140	(955)	-84%
Interest expenses on security deposits	200	183	17	9%
Interest expenses on bonds	384	623	(238)	-38%
Bank expenses and charges	2,474	643	1,832	285%
Other interest expenses	1,638	715	924	129%
Expenses payable to third parties	27,800	9,781	18,019	184%
Total	27,800	9,781	18,019	184%

Financial expenses include interest payable on amounts due to banks for mortgage loans, bonds, medium/long-term loans and on uses of current account overdraft credit facilities.

The item relating to "Other interest expenses" mainly refers to the recognition in accordance with the provisions of IAS 19 of discounts and other rate subsidies and employee severance indemnities, as well as the recognition in accordance with the provisions of IFRS 16 of actual charges on lease and rental contracts.

2.38 Adjustments to financial assets

A breakdown of "Adjustments to financial assets" is provided below for the financial years ended 31 December 2023 and 2022.

Adjustments to financial assets	2023	2022	Change	% change
Revaluations of equity investments	311	2,155	(1,844)	-86%
Total revaluations	311	2,155	(1,844)	-86%
Impairment of equity investments	(374)	(51)	(323)	628%
Total impairment	(374)	(51)	(323)	628%
Total	(63)	2,104	(2,167)	-103%

Revaluations mainly refer to the adjustment to the equity value of the investment held in the associate GPO. Impairment refers to the adjustment of the value of equity investments in Legnago Servizi S.r.l. and Agrilux S.r.l. following the distribution of dividends.

See the table attached at the end of these explanatory notes for details of the reference shareholders' equity.

Income taxes

2.39 Income taxes

A breakdown of "Income taxes" is provided below for the financial years ended 31 December 2023 and 2022.

Income taxes	2023	2022	Change	% change
Current taxes	24,706	30,079	(5,373)	-18%
of which:				
- IRES	20,558	20,448	110	1%
- IRAP	4,055	3,716	339	9%
- solidarity contribution as per Law 197 of 29.12.22	-	5,551	(5,551)	-100%
- other current taxes	94	365	(271)	-74%
Deferred taxes	(4,578)	4,100	(8,677)	-212%
Previous years' taxes	17	(41)	58	-142%
Income from tax consolidation	(6,259)	(4,540)	(1,719)	38%
Total	13,886	29,598	(15,712)	-53%

Current taxes are broken down into IRES of Euro 20,558 thousand and IRAP of Euro 4,055 thousand.

The table below shows the reconciliation between the theoretical and effective tax expense.

Consolidated tax rate reconciliation	2023	2022	Change
Aggregate pre-tax profit (loss)	117,498	114,106	3,392
Consolidation adjustments	(74,709)	(35,595)	(39,114)
Consolidated pre-tax profit (loss)	42,789	78,511	(35,722)
Theoretical tax charge +24%	10,269	18,843	(8,573)
Previous years' taxes	31	(41)	72
Other current taxes	94	365	(271)
Permanent differences	(563)	1,165	(1,728)
Actual tax charge (excluding IRAP)	9,831	20,332	(10,500)
Impact of current taxes (excluding IRAP) on pre-tax result	22.98%	25.90%	-2.92%
IRAP	4,055	3,716	339
Actual tax charge including IRAP	13,886	24,047	(10,161)
Impact of current taxes on pre-tax result	32.45%	30.63%	1.82%

*the data for 2022 are net of the extraordinary solidarity contribution amounting to a total of Euro 5,550 thousand

The balance of deferred tax assets and liabilities amounted to Euro -4,578 thousand. Deferred tax assets derive from the costs charged in the current year and in previous years that will become tax deductible in subsequent years, while deferred tax liabilities are those borne by the positive components of income that, charged in 2023 or in previous years, do not show the characteristics to contribute to the taxable income of the current year.

Income from tax consolidation, equal to Euro 6,259 thousand, relates to operating losses transferred by subsidiaries.

Other components of the income statement

2.40 Gains and losses from discontinued operations

The item refers to AMIA, whose business is focused on urban waste management in the Municipality of Verona. The company was sold in November 2023. It should be noted that as at 31 December 2022, the assets and liabilities related to AMIA were reclassified as assets and liabilities held for sale. During 2023, all the information necessary to determine the economic effects related to this discontinued activity was made available. Therefore, the operating result for the years 2023 and 2022 and the related gain on disposal were recorded under "Profit (loss) from discontinued operations, net of tax effects". The result of the discontinued operations is shown below.

Detail of profits from discontinued operations	2023	2022	Change	% change
Revenue	56,995	61,092	(4,098)	-7%
Costs	(56,080)	(60,316)	4,236	-7%
EBIT	914	776	138	18%
Interest	(24)	(21)	(3)	17%
Income taxes	(12)	(277)	265	-96%
Operating result, net of tax effects	878	478	400	84%
Value adjustment of discontinued operations	(426)	-	(426)	N/A
Profit from the sale of discontinued operations	(404)	-	(404)	N/A
Dividends from discontinued operations	454	-	454	N/A
	502	478	24	5%

It should be noted that the subsidiary was sold in November 2023 on the basis of the accounting situation on the same date for a consideration of Euro 15,045 thousand, which took account of the values of net assets on the same date. The sale price is receivable in eleven instalments between 31 December 2024 and 31 December 2033; therefore, the effect of the sale of the equity investment on the cash and cash equivalents of the Group took effect only for the cash and cash equivalents sold.

The table below shows the reclassification of the 2022 values of the income statement as a result of the sale of AMIA Verona Spa:

Income Statement	2022	RECLASSIFICATION OF AMIA BALANCES 2022	RECL INTERCOMPANY BALANCES 2022	RESTATEMENT 2022
Revenue	3,331,891	-61,092	9,669	3,280,468
Operating costs	-3,027,334	26,494	-9,669	-3,010,509
Personnel costs	-119,173	30,721	0	-88,452
EBITDA	185,384	-3,877	0	181,507
Amortisation, depreciation, and provisions	-101,046	3,101	0	-97,945
Financial position	5,072	-21	0	5,051
Income taxes	-29,875	277	0	-29,598
PROFIT/(LOSS) FROM OPERATIONS	49,391	-478	0	48,913
Profit/(loss) from discontinued operations, net of tax effects	0	478	0	478
Profit (Loss) for the year	49,391	0	0	49,391

Overall profits and losses

Total profits/losses are income components directly allocated to equity. These amount to Euro 1,668 thousand for actuarial profits on employees' defined benefit plans and to Euro 14,646 thousand for changes in the hedging derivatives.

Other information

Information pursuant to Article 2427, point 5, of the Italian Civil Code

Statement of equity investments in subsidiaries and associates

List of companies consolidated on a line-by-line basis

Name	Head office	Control through the company	Share capital	Equity	Profit (Loss)	% stake	Book value
AGSM Holding Albania Sh.A.	Tirana (Albania)	AGSM AIM Spa					
		AGSM AIM Ambiente Srl	1,146	851	-	75% 25%	750 250
AGSM AIM Ambiente Srl	Vicenza	AGSM AIM Spa	50	6,858	-297	100.00%	7,188
V-Reti SpA	Vicenza	AGSM AIM Spa	90,400	324,741	11,597	99.83%	316,937
AGSM AIM Calore Srl	Verona	AGSM AIM Spa	3,000	38,624	1,104	100.00%	37,520
BLUEOIL Srl	Bolzano Vicentino (VI)	TreV Ambiente Srl	10	-513	-104	62.45%	0
Consorzio Canale Camuzzoni	Verona	AGSM AIM Power Srl	100	11,173	10	75.00%	5,572
COGASPIU' Energie Srl	Vicenza	AGSM AIM Energia Spa	200	1,706	-149	60.00%	3,889
ECO Tirana	Tirana	AGSM Holding Albania	1,429	3,005	471	49.00%	18
AGSM AIM Power Srl	Verona	AGSM AIM Spa	3,000	62,366	9,256	100.00%	61,776
JUWI DEVELOPMENT 02 SRL	Verona	AGSM AIM Power Srl	10	-34	-141	100.00%	1,522
JUWI DEVELOPMENT 08 SRL	Verona	AGSM AIM Power Srl	10	-4	-40	100.00%	365
Parcoeolico Carpinaccio SrL	Verona	AGSM AIM Power Srl	27	11,036	912	63.00%	5,521
Parco Eolico Riparbella Srl	Verona	AGSM AIM Power Srl	27	18,038	1,422	63.00%	6,714
AGSM AIM Smart Solutions Srl	Vicenza	AGSM AIM Spa	3,000	50,249	2,070	100.00%	52,582
AGSM AIM Energia SpA	Verona	AGSM AIM Spa	5,271	84,679	30,222	96.27%	135,687
DRV Srl	Legnago (VR)	AGSM AIM Ambiente Srl	100	369	32	100.00%	568
Serit	Cavaion Veronese (VR)	AGSM AIM Ambiente Srl	2,050	3,772	38	99.74%	3,636
Società Intercomunale Ambiente Srl	Grumolo delle Abbadesse (VI)	Valore Ambiente Srl	11	1,303	436	49.00%	425
S.I.T. Società Igiene Territorio Spa	Vicenza	AGSM AIM Ambiente Srl	1,000	710	-86	100.00%	1,050
Transecò	Zevio (VR)	AGSM AIM Ambiente Srl	110	341	98	100.00%	140
Tre V Ambiente S.r.l.	Vicenza	SIT Spa	15	263	18	100.00%	300
Valore Ambiente Srl	Vicenza	AGSM AIM Spa	1,012	14,022	1,234	100.00%	13,062

List of companies carried at equity

Name	Head office	Control through the company	Share capital	Equity	Profit (Loss)	% stake	Book value
Consorzio GPO	Genoa	AGSM AIM Spa	20,197	22,879	273	33.46%	8,896
		AGSM AIM Ambiente Srl				4.19%	1,114
S.I.V.E S.r.l.	Legnago (VR)	AGSM AIM Spa	151	1,587	127	24.25%	385
Agrilux S.r.l.	Lozzo At. (PD)	SIT Spa	6,000	18,855	934	13.91%	2,492
Legnago Servizi S.p.a.	Legnago (VR)	SIT Spa	120	3,674	1,514	49.00%	1,482

Information pursuant to Article 2427 *bis*, as well as IFRS 7 and IFRS 13.

Financial instrument classes and fair value hierarchies

To complete the analyses required by IFRS 7 and IFRS 13, the types of financial instruments found in the financial statements are shown, with an indication of the valuation criteria applied and, in the case of financial instruments measured at fair value, of the exposure (Income Statement or Equity).

Fair value hierarchies	Notes	Value of the equity and financial position	Financial instruments measured at fair value		Financial instruments measured at amortised cost
			Income Statement	Equity	
FINANCIAL POSITION - ASSETS					
NON-CURRENT ASSETS					
Other non-current financial assets	5	44,044	-	-	44,044
Other non-current assets	7	9,086	-	-	9,086
CURRENT ASSETS					
Trade receivables	9	392,611	-	-	392,611
Current financial assets	10	3,341	-	-	3,341
Other current assets	12	74,262	-	2,653	71,610
Cash and cash equivalents	13	26,790	-	-	26,790
Assets sold	14	2,486	-	2,486	-
FINANCIAL POSITION - LIABILITIES					
Non-current financial liabilities	16	156,370	-	-	156,370
Other non-current liabilities	20	30,448	-	-	30,448
CURRENT LIABILITIES					
Current financial liabilities	21	240,852	-	-	240,852
Trade payables	22	262,477	-	-	262,477
Other current liabilities	24	123,699	-	-	123,699
Liabilities disposed		-	-	-	-

Fair Value Hierarchies

IFRS 7 and IFRS 13 require that financial instruments measured at fair value are classified on the basis of the quality of the sources of inputs used in determining the fair value. In particular, 3 levels of fair value are defined:

- Level 1: classified in this level are financial assets/liabilities whose fair value is determined on the basis of quoted (unmodified) prices on active markets, both Official and Over the Counter, of identical assets or liabilities;
- Level 2: classified in this level are financial assets/liabilities whose fair value is determined on the basis of inputs other than the quoted prices referred to in Level 1, but which are directly or indirectly observable on the market for these assets/liabilities;
- Level 3: financial assets/liabilities whose fair value is determined on the basis of non-observable market data are classified in this level. This category includes instruments measured on the basis of internal estimates, carried out using proprietary methods based on industry best practices.

For the breakdown of assets and liabilities between the different levels of fair value, see the table below "Fair value hierarchy".

	Notes	Level 1	Level 2	Level 3
Other current assets	12	2,652,541		
Assets sold	14		2,486,290	
TOTAL ASSETS				

Fair Value of derivative financial instruments

Company	Type	Counterparty	Effective Date	Closing Date	Purpose	Risk hedged	Notional	MU	Fair Value at 31/12/23
AGSM AIM Spa	Interest rate swaps	INTESA SAN PAOLO	N.A.	31/12/2024	Hedging	Interest risk	6,000	Euro	43
AGSM AIM Energia	Commodity swaps	MONTEPASC HI	01/11/2023	31/03/2024	Hedging	Revenue risk	N.A.	Euro	215
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	595	Euro	233
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	593	Euro	202
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	543	Euro	179
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	439	Euro	139
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	369	Euro	119
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	739	Euro	262
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	618	Euro	223
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	607	Euro	214
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	742	Euro	268
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	642	Euro	245
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	787	Euro	218
AGSM AIM Energia	Commodity swaps	INTESA SAN PAOLO	01/11/2023	31/03/2024	Hedging	Revenue risk	469	Euro	94
									2,653

Information pursuant to Article 2427, point 9, of the Italian Civil Code

Commitments, guarantees granted and contingent liabilities not shown in the Statement of Financial Position

The Group's total commitments, guarantees and contingent liabilities amounted to Euro 217,951 thousand. The total amount includes commitments for contracts for the purchase of electricity and gas and bank sureties in favour of the Municipalities and Entities where the award of the gas distribution service was obtained and in which electricity and gas are supplied, and the collection of waste was awarded, to the Electricity Market Operator for operations on the energy market, to Terna SpA for the dispatching of electricity and to cover the obligations arising from the Agreement for the Electricity Transmission Service and to SNAM for the gas transport service.

No provision for risks is allocated in relation to the ongoing dispute with the Municipality of Belfiore for the payment of royalties. This assessment is also based on the ruling issued in 2019 in favour of the Company. On 10 March 2022, the appeal hearing was held at the Court of Appeal of Verona, which with a judgement dated 16/01/2024 rejected the appeal and upheld the judgement of the Court of Verona.

Information pursuant to Article 2427, point 13, of the Italian Civil Code

Revenue or cost items of exceptional amount or impact

In the income statement, there is exceptional revenue related to contributions to plants for Euro 2,455 thousand and contributions to operations for renewable sources for Euro 4,140 thousand. It should also be noted that the tax credit granted to energy-intensive companies by the "Aiuti/Aiuti-bis" Decree was utilised for a total amount of Euro 4,221 thousand. Indemnities, reimbursements and compensation were received for Euro 1,488 thousand and contingent assets and non-existent liabilities were recorded for a total of Euro 5,985 thousand.

With regard to costs, it should be noted that during the year indemnities were received for Euro 1,497 thousand and contingent liabilities and non-existent assets were recorded for a total of Euro 4,445 thousand.

Related-party transactions

All transactions with related parties (companies in the AGSM AIM Group) were completed at arm's length.

These financial statements, consisting of the statement of financial position, the income statement, the notes thereto and the statement of cash flows, give a true and fair view of the financial position and results of operations for the year and correspond to the accounting records.

Information pursuant to Article 2427, point 22-quater, of the Italian Civil Code

Significant events after the reporting period

Extraordinary transactions

On 24 January 2024, as part of the corporate reorganisation plan within the AGSM AIM Group, aimed at the consolidation of the Environment BU and with a view to the rationalisation of existing and operating companies in the environmental sector, AGSM AIM Ambiente S.r.l. was the beneficiary of the partial demerger through the spin-off of the Parent Company AGSM AIM S.p.A. with the assignment of the Business Unit called "Ca' Del Bue", which mainly includes the real estate complex located in Verona relating to the treatment plant for organic waste and equity investments in the companies Valore Ambiente S.r.l. (100%) and Si.Ve. S.r.l. (25%).

On 26 January 2024, the equity investment in the associated company Bovolone Attiva S.r.l. was sold.

On 10 July 2023, the Board of Directors of AGSM AIM S.p.A. resolved to acquire the 49% equity investment in EcoTirana Sha held by AGSM AIM Holding Albania Sh.A., a company whose liquidation has been decided. The deed of sale of the equity investment was signed on 4 April 2024. Once all the obligations following the sale have been completed, the liquidation of AGSM Holding Albania Sha will be completed in the current year 2024.

Further corporate rationalisations are planned in the environmental sector; they will be finalised during the current year.

Financial aspects

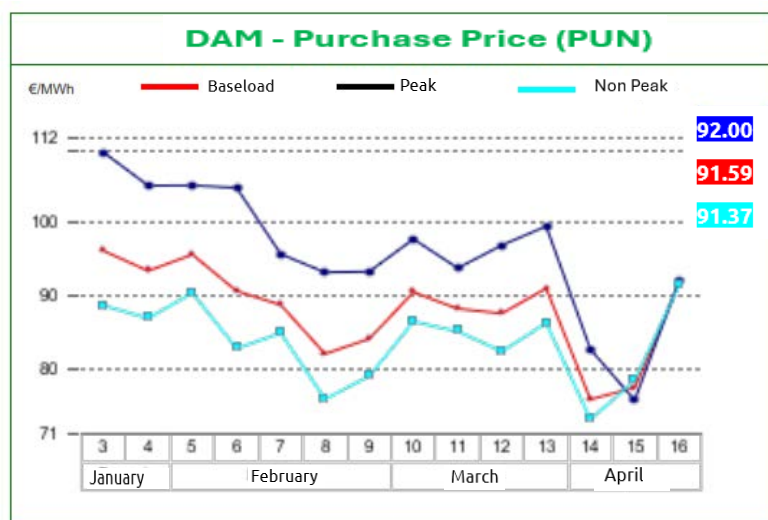
Subsequent to the end of the year, there was the early repayment of an intra-group loan. This operation means that the entire residual amortised cost is charged to the 2024 financial year.

Regulatory aspects

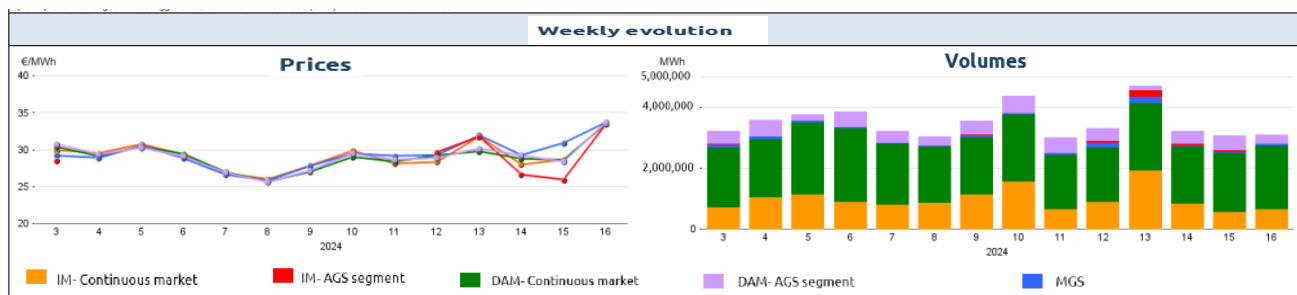
On 31 January, the Italian Senate approved the text of the conversion bill of Italian Decree Law 181/2023. This legislation is aimed at guaranteeing energy security and promoting renewable sources. Among the measures introduced, some directly concern users who still get their supply in the protected market and who are affected by the gradual transition to the free market. The Energy Decree Law also aims to promote a more sustainable development, oriented to green energy: the legislator intervened in support of the production of renewable energy, both in the direction of administrative simplifications and incentives.

Prices of energy products

After 3 years of strong fluctuations, the PUN has once again approached pre-war values and can ensure more balanced energy prices. The graph below shows the evolution of the PUN in the first months of 2024 (source: Electricity Market Operator):



The same situation is recorded in the price of gas; the graph below shows the evolution of the price and volumes related to the gas market in the first months of 2024:



Information pursuant to Article 2427, point 22-quinquies and sexties of the Italian Civil Code

Name and registered office of the company preparing the consolidated financial statements

With reference to the information required by Article 2427, point 22-quinquies and sexties of the Italian Civil Code, it should be noted that the direct controlling entity was the Municipality of Verona with registered office in Piazza Bra 1 - Verona; the controlling entity prepared the Consolidated Financial Statements of the largest Group to which the Parent Company belongs and they are available at the registered office of the entity.

Information pursuant to article 2427, point 16 and 16-bis, of the Italian Civil Code

Remuneration of the Directors, Board of Statutory Auditors and Independent Auditors

	Period	Remuneration
Directors	01/01/2023-31/12/2023	1,072
Board of Statutory Auditors	01/01/2023-31/12/2023	484
Independent Auditors	01/01/2023-31/12/2023	281



Report of the Independent Auditors

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the Shareholders of
AGSM AIM S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AGSM AIM S.p.A. and its subsidiaries (the "Group"), which comprise the statement of financial position as at December 31, 2023, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and notes to the financial statements, including material information on the accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	Audit response
<p>Valuation of commercial trade receivables</p> <p><i>Note 2.9 "Trade receivables"</i></p> <p>Commercial trade receivables amounted to Euro 383,381 thousand as at December 31, 2023.</p> <p>This item is considered to be significant in the audit due to the significance of the amount and the inherent subjectivity of the process and valuation of bad debt provision, that are characterized by estimates of a number of variables, mainly represented by impairment loss indicators, expected cash flows and related collection times.</p>	<p>Our main audit procedures performed in response to key audit matter of valuation of trade receivables are:</p> <ul style="list-style-type: none"> ▪ assessment of the design and implementation of key controls related to these procedures and processes; ▪ assessment of the appropriateness of IT environment system and IT applications in relation to evaluation process of commercial receivables; ▪ reconciliation procedures between the amounts of management systems and the one recognised in the financial statements; ▪ analytical procedures and discussion with the Group's personnel regarding the audit findings carried out; ▪ assessment of the appropriateness of bad debt provision and consistency of the methodology applied by the Group with the requirement of IFRS 9 and tested the accuracy of mathematical calculation; ▪ verification of the disclosures provided in the notes to the consolidated financial statements.
<p>Valuation of assets under concession</p> <p><i>Note 2.1 "Intangible assets"</i></p> <p>The Group accounted for Assets under concession for Euro 319,497 thousand as at December 31, 2023.</p> <p>Assets under Concession are considered to be significant in the audit process due to the pervasive nature of these balance and the inherent subjectivity judgement of management on the estimation based on IFRIC12.</p> <p>The infrastructures used, recognized on the "intangible asset model" basis, have been subject to impairment test.</p>	<p>Our main audit procedures performed, also with the support of evaluation models specialists belonging to the network BDO Italy, included the following:</p> <ul style="list-style-type: none"> ▪ assessment of the adequacy of the impairment test model prepared by an expert appointed by the parent company; ▪ assessment of the key assumptions used as a basis of the impairment test model; ▪ assessment of the mathematical accuracy of impairment test model used; ▪ verification of the disclosures provided in the notes to the consolidated financial statements.

Impairment test of the goodwill

Note 2.3 "Goodwill"

The Group includes in the financial statements goodwill for a total of Euro 53,046 thousand.

The value recorded as goodwill refers to the effect of the business combination, which was recognised in accordance with IFRS 3 "business combination", that for Euro 37,099 thousand was carried out residually according to the Purchase Price Allocation (PPA) process for the portion not specifically attributable to the assets acquired, while the pre-existing value of this item refers to goodwill acquired for consideration.

An impairment test was conducted on this value, with the support of an independent expert, in order to verify that it did not exceed the recoverable value. The recoverable value of goodwill was defined with respect to value in use and was calculated for each Cash Generating Unit ("CGU") to which this goodwill is attributable. The value in use of each CGU was estimated using the Discounted Cash Flow ("DCF") method, by discounting the operating cash flows generated by the assets at a discount rate representative of the weighted average cost of capital ("WACC"). The value in use was determined using the cash flows from each CGU, as deduced from the 2024 budget and the economic projections for 2025 carried out by Management. In estimating the residual value, a growth rate beyond the timescale of the plan, identified for each CGU, was considered, consistent with business development expectations. The valuation method also included a sensitivity analysis on the valuation parameters used and, in particular, the threshold levels of the impairment test value. The difference between the value in use and the operating net invested capital at the reporting date was compared with the carrying values of goodwill in the Group's consolidated financial statements.

Our main audit procedures performed also with the support of evaluation models specialists belonging to the network BDO Italy, included the following:

- assessment of the expertise, capacity and objectivity of the expert appointed by the Directors for the preparation of the impairment test;
- verification of the adequacy of the impairment model;
- assessment of the reasonableness of the key underlying assumptions for the 2024 budget and the economic projections for 2025 carried out by Management, also considering variances between the forecast and actual results;
- assessment of the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, the correct configuration of the CGUs consistent with any changes within the Group perimeter, discount rates, future growth rates;
- verification of the clerical accuracy of the impairment model;
- check of the sensitivity analysis of impairment when key assumptions change;
- verification of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Management and the Board of statutory auditors (Collegio sindacale) for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/'05 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the parent company AGSM AIM S.p.A. or to cease operations, or has no realistic alternative but to do so. Management is responsible for overseeing the Group's financial reporting process.

The Board of statutory auditors has the responsibility, in compliance with the applicable legislation, for the supervision of the monitoring financial reporting process of the Group.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other information communicated pursuant to article 10 of Regulation (EU) n. 537/2014

We were initially engaged by the shareholders meeting of AGSM AIM S.p.A. on June 24, 2021 to perform the audits of the financial statements and group consolidated financial statements of each fiscal year starting from December 31, 2021 to December 31, 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) n. 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the consolidated statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n. 537/2014, submitted to the Board of Statutory auditors.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10 and of article 123-bis, comma 4 of Legislative Decree n. 58/'98

Management of AGSM AIM S.p.A. is responsible for the preparation of the report on operations and of the corporate governance report of AGSM AIM S.p.A., as required by comma 2, letter b) of art.123-bis of Legislative Decree n. 58/'98, as at December 31, 2023, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, comma 2, lett. b) of Legislative Decree n. 58/'98, with the financial statements of AGSM AIM S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the abovementioned specific information of the corporate governance report are consistent with the consolidated financial statements of AGSM AIM Group as at December 31, 2023 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.



Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree n.254, of December 30, 2016

Management of AGSM AIM S.p.A. is responsible for the preparation of the consolidated non-financial information in accordance with Legislative Decree n. 254, of December 30, 2016. We verified the approval of the consolidated non-financial information as of December 31, 2023 by Management.

According to article 3, paragraph 10, of Legislative Decree n. 254, of December 30, 2016 we have performed a separate review analysis on this statement.

Verona, May 22, 2024

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

agsm aim

**AGSM AIM Separate Financial
Statements**

Statement of Financial Position

FINANCIAL POSITION - ASSETS	NOTES	2023	2022
Intangible assets	1	81,741,890	87,734,999
Property, plant and equipment	2	84,124,584	79,480,302
Equity investments	3	634,787,419	649,566,847
Other non-current financial assets	4	35,924,260	23,065,038
Deferred tax assets	5	6,942,641	7,958,851
Other non-current assets	6	1,284,339	1,441,953
Total non-current assets		844,805,133	849,247,991
Inventories	7	603,084	641,084
Trade receivables	8	39,413,523	34,464,378
Current financial assets	9	175,945,211	462,622,406
Current tax assets	10	22,133,954	11,529,536
Other current assets	11	41,347,507	61,188,382
Cash and cash equivalents	12	9,789,790	1,055,490
Total current assets		289,233,068	571,501,275
TOTAL ASSETS		1,134,038,201	1,420,749,266
Share capital	13	95,588,235	95,588,235
Legal reserve	14	16,347,623	13,138,532
Other reserves	15	431,148,957	456,178,914
Profit (loss) for the year	16	44,536,911	14,242,469
Total equity		587,621,727	579,148,149
Non-current financial liabilities	17	152,417,369	210,340,722
Employee benefits	18	6,947,052	9,143,328
Provision for risks and charges	19	7,315,547	7,677,516
Deferred tax liabilities	20	3,100,597	3,323,638
Other non-current liabilities	21	11,908,708	15,769,559
Total non-current liabilities		181,689,273	246,254,763
Current financial liabilities	22	290,236,448	516,600,225
Trade payables	23	20,040,374	33,677,861
Current tax liabilities	24	17,779,869	9,494,876
Other current liabilities	25	36,670,511	35,573,393
Total current liabilities		364,727,202	595,346,354
TOTAL LIABILITIES		1,134,038,202	1,420,749,266

Statement of Comprehensive Income

INCOME STATEMENT	NOTES	2023	2022
Revenue		64,150,687	72,053,178
Revenue from sales and services	26	59,825,688	63,964,573
Other revenue	27	4,324,999	8,088,605
Operating costs		48,564,987	57,197,724
Raw materials and consumables	28	2,664,753	8,374,779
Services	29	40,873,882	42,868,611
Leases and rentals	30	2,482,331	2,021,592
Other operating costs	31	2,544,021	3,932,742
Added value		15,585,700	14,855,454
Personnel costs	32	18,936,749	18,099,313
EBITDA		(3,351,049)	(3,243,858)
Amortisation, depreciation, and provisions	33	12,426,846	12,484,150
Amortisation and depreciation		12,094,846	12,059,150
Other provisions		332,000	425,000
Net operating income		(15,777,895)	(15,728,009)
Financial position		54,743,367	27,566,047
Income from equity investments	34	64,083,276	29,893,788
Financial income	35	21,381,785	5,795,236
Financial expenses	36	(30,981,741)	(8,193,457)
Adjustments to financial assets	37	260,047	70,480
Pre-tax profit (loss)		38,965,472	11,838,039
Income taxes	38	(4,316,302)	(2,404,430)
Profit (loss) from operations		43,281,774	14,242,469
Profit (loss) from discontinued operations, net of tax effects	39	1,255,137	-
Profit (Loss) for the year		44,536,911	14,242,469
Other comprehensive income that will not be subsequently reclassified to profit or loss			
		2023	2022
Actuarial gains/(losses) for employee benefits		1,989,520	(127,040)
Tax effect on actuarial gains (losses) for employee benefits		(477,485)	30,490
Total actuarial gains (losses) net of the tax effect (B)		1,512,035	(96,550)
Change in the fair value of cash flow hedging derivatives		(83,037)	243,511
Tax effect on change in the fair value of cash flow hedging derivatives		19,929	(58,442)
Total actuarial gains (losses) net of the tax effect (C)		(63,108)	185,069
Total comprehensive profits (losses) net of tax effect (B) + (C)		1,448,927	88,518
Total comprehensive income (A) + (B) + (C)		45,985,838	14,330,987

Statement of cash flows

STATEMENT OF CASH FLOWS (data in Euros)	2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES (INDIRECT METHOD)		
Profit (loss) for the year	44,536,910	14,242,469
Income taxes	(4,316,301)	(2,404,430)
Interest expense	30,981,740	8,193,457
Interest income	(21,381,783)	(5,795,237)
(Dividends)	(65,338,413)	(29,884,509)
Losses deriving from the sale of assets	45,319	99,703
(Gains) deriving from the sale of assets	(297,363)	(256,423)
PROFIT/(LOSS) FOR THE YEAR BEFORE INCOME TAXES, INTEREST, DIVIDENDS AND GAINS/LOSSES ON SALES	(15,769,891)	(15,804,971)
<i>Adjustments for non-monetary elements that were not offset in the NWC</i>		
Accruals to provisions	1,156,686	1,270,103
Amortisation and depreciation	12,094,846	12,059,151
Impairment	-	660,662
Valuation of equity investments	(260,047)	(654,353)
CASH FLOWS BEFORE CHANGES IN NWC	(2,778,407)	(2,469,408)
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	38,000	(68,474)
Decrease/(increase) in trade receivables	13,581,715	50,895,911
Increase/(decrease) in trade payables	(41,640,824)	24,684,028
Decrease/(increase) in accrued income and prepaid expenses	162,200	319,263
Increase/(decrease) in accrued expenses and deferred income	(1,466,013)	(213,326)
Other changes in net working capital	(5,492,687)	15,910,111
CASH FLOWS AFTER CHANGES IN NWC	(37,596,016)	89,058,106
<i>Other adjustments</i>		
Interest received	21,381,783	5,608,879
(Interest paid)	(30,981,740)	(8,193,457)
(Income tax paid)	-	(10,135,647)
Dividends received	65,338,413	29,875,231
(Use of provisions)	(1,251,968)	(4,184,902)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	16,890,472	102,028,210
B. CASH FLOW FROM INVESTMENT ACTIVITY:		
<i>Intangible assets</i>		
(Investments)	(2,277,664)	(3,365,000)
<i>Property, plant and equipment</i>		
(Investments)	(8,678,355)	(16,794,000)
Disinvestments	462,044	1,416,000
<i>Financial fixed assets</i>		
(Investments)	-	(1,415,151)
Disinvestments	15,039,474	-
<i>Current financial assets</i>		
(Investments)	(14,945,000)	(800,000)
Disinvestments	1,914,878	10,112,257
CASH FLOW FROM INVESTMENT ACTIVITY (B)	(8,484,622)	(10,845,894)
C. CASH FLOWS FROM FINANCING ACTIVITY:		
<i>Third party financing</i>		
Repayment of bonds	(10,031,231)	(10,737,868)
Raising of loans	292,760	334,089,123
Repayment of loans	(248,566,271)	(95,332,375)
Change in centralised treasury management	286,765,059	(326,490,062)
<i>Equity</i>		
Dividends (and interim dividends) paid	(28,131,867)	-
CASH FLOW FROM FINANCING ACTIVITY (C)	328,449	(98,471,181)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A± B ± C)	8,734,299	(7,288,864)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,055,490	8,344,354
<i>of which:</i>		
bank and postal accounts	1,013,729	8,257,318
cash-in-hand and cash equivalents	41,762	87,036
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9,789,789	1,055,490
<i>of which:</i>		
bank and postal accounts	9,747,307	1,013,729
cash-in-hand and cash equivalents	42,482	41,762

Statement of Changes in Equity

Equity	Share capital	Share premium /contribution reserve	Revaluation surplus	Legal reserve	Extraordinary reserve	Provision for grants related to plants	Transformation reserves as per Law 127/97	IFRS FTA Reserve	Other reserves	Cash flow hedge reserve	Retained earnings /(losses)	Profit (loss) for the year	Group total equity
Opening Balance	95,588	384,339	-	13,139	8,758	3,194	34,836	(5,892)	7,508	96	23,340	14,243	579,148
Allocation of the result	-	-	-	712	-	-	-	-	654	-	12,876	(14,243)	-
Dividends paid	-	-	-	-	(4,883)	-	-	-	-	-	(33,117)	-	(38,000)
Decreases	-	-	-	-	-	-	-	-	-	(96)	-	-	(96)
Reclassifications	-	-	201	2,497	-	-	-	-	-	-	(2,698)	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	1,990	43	-	-	2,032
Net profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	44,537	44,537
Closing Balance	95,588	384,339	201	16,348	3,875	3,194	34,836	(5,892)	10,152	43	400	44,537	587,622

General information about the company

AGSM AIM S.p.A. was founded on 1 January 2021 from the merger between AGSM Verona and AIM Vicenza, as the head of a Group with fully public capital, 61.2% of which is owned by the Municipality of Verona and 38.8% by the Municipality of Vicenza.

The Group aims to play a leading role in the energy and environment sector, as an aggregating hub, especially in the North-East. The integration has made it possible to optimise the organisational structure thanks to the establishment of six Business Units: Energy, Power, Heat, Smart Solutions, Environment and V-Reti. Through these, essential services are provided to citizens and products with high added value for the development of companies, entities and institutions. The activity extends to the sectors of electricity, gas, district heating, energy efficiency, public lighting, telecommunications services, electric mobility and environmental health.

In particular, the company, referred to as the "Parent Company", is responsible for the strategic direction and coordination of the Group's activities.

In addition, the Group companies benefit from centralised services relating to facility management, administrative, legal and financial management, planning and control, procurement, engineering, human resources, fleet management, ICT systems and quality, safety and environmental systems, all in order to optimise the resources available within the Group and to use internal know-how.

Basis of preparation

The Financial Statements of the Parent Company AGSM AIM SpA at 31 December 2023 consist of the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the financial statements.

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRS also include all the revised international accounting standards ("IAS"/"IFRS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

For the statement of financial position, assets and liabilities are classified on a "current/non-current" basis, with specific separation of assets and liabilities held for sale or discontinued operations. Current assets, which include cash and cash equivalents, are those intended to be realised, disposed of or used in the Company's normal operating cycle or in the twelve months following the end of the financial year; current liabilities are those that are expected to be settled in the company's normal operating cycle or in the twelve months after the end of the reporting period. The statement of comprehensive income is classified according to the nature of the costs. The statement of cash flows is presented using the indirect method. The liquidity configuration analysed in the statement of cash flows includes cash on hand and current bank accounts.

The amounts presented in the financial statements are shown in Euro, whilst in the notes they are shown in thousands of Euros, unless otherwise stated.

Going concern

The political vicissitudes experienced in Europe over the last period and the consequent fluctuating trend in energy market prices have meant that the company results have undergone constant and systematic monitoring with particular attention to the analysis of deviations from forecasts.

The management analysed the management and financial indicators that did not reveal any risks linked to the ability of the AGSM AIM to operate on a going concern basis.

In consideration of the results for the year, which also include the impacts connected with the geopolitical situation, the management analysed the forecasts made with regard to possible future scenarios, including the impacts from climate change as far as they can be foreseen, excluding any impairment in the various cash generating units (CGUs) in which it is organised, also in view of the existing considerable margins.

Based on the performance of activities, the joint analysis of the 2024 Budget, the economic projections for 2025 and the ability to access credit, the management believes that it is in a position to proceed with managing and developing activities without questioning its ability to operate as a going concern.

Consequently, these separate financial statements of the Parent Company have been prepared on a going concern basis as it is reasonable to expect that the company will continue to operate in the near future and, in any case, for at least twelve months, as set out in IAS 1.25-26.

Financial Statements

These financial statements have been prepared on a historical cost basis, except for some financial instruments that are measured at fair value. Information about the financial statement formats applied, compared to those set out in IAS 1, and the method used to present cash flows in the statement of cash flows, compared to the provisions of IAS 7, is provided below.

- In the statement of comprehensive income, costs are classified by nature based on a "graduated" classification. It is believed that this type of presentation, which is also used by the Group's principal competitors and is consistent with international practice, best represents the results of the business.
- The statement of comprehensive income comprises the profit or loss for the year and the income and expense, grouped by consistent categories, which, based on the IFRS, are allocated directly to equity.
- In the statement of financial position, current assets and current liabilities are presented separately from non-current assets and liabilities, respectively, in accordance with IAS 1.
- The columns of the statement of changes in equity reconcile the opening and closing balances of each equity caption.
- The statement of cash flows classifies cash flows by operating, investing and financing activities. Specifically, cash flows from operating activities are presented using the indirect method in accordance with IAS 7, whereby the profit or loss for the year is adjusted to reflect the effects of non-monetary transactions, prepayments and accrued income and accrued expenses or deferred income and revenue or cost items related to future cash flows from investing or financing activities.

Accounting standards

Introduction

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets held for sale, which are recognised at fair value.

There are no held-to-maturity investments. Financial transactions are recognised at the trade date.

The accounting standards used to prepare the financial statements at 31 December 2023 have also been uniformly applied to all corresponding periods.

Figures in the financial statements are in Euros, whereas in the Notes all amounts have been rounded to the nearest thousand of Euros, unless otherwise stated.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including direct charges necessary to bring the asset to use. The cost can comprise the finance costs directly attributable to the acquisition, construction or production of the asset. The cost can also include the expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

The costs incurred for extraordinary maintenance and repairs are recognised directly when incurred. The costs to expand, renovate or improve the structural elements owned or used by third parties are capitalised solely to the extent that they meet the conditions for being classified separately as an asset or as part of an asset under the component approach.

Property, plant and equipment and assets under construction are recognised at their purchase and/or production cost, including directly attributable charges, while reducing the cost by the commercial and cash discounts of a significant amount.

For plants constructed internally, the cost of the materials used, the cost of labour for the personnel used, the related social security costs, the accruals to employee severance indemnities and the portion of internal services that can be reasonably attributed to them have been accounted for.

The depreciation charged to the income statement have been calculated according to the use, purpose, and useful life of the assets over their residual useful life.

Assets under construction comprise the direct costs incurred until 31 December in the year under examination. Depreciation begins on the date that each asset becomes operative.

The expenses that increase the value of the assets, and the maintenance that results in a significant and tangible increase in production capacity or that lengthens the useful life of the assets are capitalised and generally increase the carrying amount of the related asset and are depreciated over the asset's residual useful life. Ordinary maintenance costs are expensed directly in the statement of comprehensive income.

Regardless of the depreciation that has already been recognised, if an item of property, plant and equipment is impaired, its carrying amount is reduced accordingly. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the

heading of revaluation surplus. However, the increase shall be recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Leases

Right-of-use assets are recognised on the start date of the lease, i.e. the date on which the underlying asset is available for use.

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

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

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

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that can be controlled and from which future economic benefits are expected. They are initially recognised at purchase and/or development cost, including direct expenses necessary to bring the asset to use. Interest expense, if any, accrued during and for the development of intangible assets, are considered part of the acquisition cost. In particular, the following intangible assets can be identified within the Company: intangible assets with a finite useful life that are amortised over their useful life and are subject to an impairment test whenever there are indications of a possible impairment; intangible assets with an indefinite useful life that are not amortised but are subject to an annual impairment test.

a) Rights on assets under concession (IFRIC 12)

Under IFRIC 12, the infrastructure used in a public-to-private service concession arrangement will not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator must either recognise a financial asset to the extent that it has an unconditional contractual right to receive cash (or another financial asset from or at the direction of the grantor for the construction services) or recognise an intangible asset to the extent that it receives a right ('licence') to charge users of the public service. Based on the Company's service concession agreements, the infrastructure used is recognised using the "intangible asset model". The "Rights on assets under concession" represent the Company's right to use the assets under concession (the so-called intangible asset model), considering the fees and the costs of implementation, with the obligation to return the asset at the end of the concession.

b) Software and other intangible assets

Software and other intangible assets are recognised at cost, as described earlier, net of accumulated amortisation and impairment losses, if any. Amortisation begins when the asset is available for use and it is charged systematically over the residual period of benefit, that is, over the estimated useful life.

Impairment losses

At each reporting date, the Company checks whether there are any indications of impairment of intangible assets and property, plant and equipment. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trend in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amount of the assets is reduced to the recoverable amount and any impairment loss is recognised in profit or loss. The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use, the latter being the present value of future cash flows estimated for the asset in question. In calculating the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market valuations of the time value of money, proportionate to the investment period, and the risks specific to the asset. For assets that do not generate largely independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognised in profit or loss. The impairment loss is initially recognised as a deduction of the carrying amount of goodwill allocated to the cash-generating unit and then only applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. If the reasons that gave rise to an impairment loss no longer exist, the carrying amount of the asset is recognised again in profit or loss, up to the carrying amount that would have been recognised had no impairment loss been recognised and if normal amortisation/depreciation had been applied.

Equity investments

Equity investments in subsidiaries and other companies are valued using the cost method. Equity investments in associates and joint ventures are recognised using the equity method. In the event of impairment, the value of the investments is written down. The effect of this write-down is recognised in the statement of comprehensive income.

Trade receivables and other current and non-current assets

Trade receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables and other financial assets are included in current assets, except for those with a contractual due date beyond twelve months after the reporting date, which are classified as non-current assets.

Impairment losses on receivables are recognised when there is objective evidence that the Company will no longer be able to recover the receivables due from the counterparty based on the contract terms.

Objective evidence includes events such as:

- significant financial difficulties of the counterparty;
- legal disputes with the counterparty over the receivables;
- probability that the counterparty will declare insolvency or other financial restructuring procedure.

The impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows and is recognised in profit or loss. If, in subsequent years, the reasons for the impairment cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been recognised had the amortised cost been applied.

The valuation of financial assets is carried out based on the valuation model of credit losses in application of the simplified model of expected losses envisaged by IFRS 9. The amount to be set aside was determined using information that could be supported and was available at the end of the reporting period.

Financial assets, relating to non-derivative financial instruments, with fixed or determinable payments and fixed maturity dates, which the Company intends and has the ability to hold until maturity, are classified as "held-to-maturity investments". Such assets are measured at amortised cost using the effective interest method, adjusted by impairment losses, if any. Whenever there are impairment losses, the same policies as described above for loans and receivables are applied.

Available-for-sale financial assets, including investments in other companies representing available-for-sale assets, are measured at fair value, if determinable. Changes in fair value are recognised directly in an equity reserve in other components of comprehensive income until they are disposed of or impaired, at which time they are reversed to profit or loss. Other unlisted investments classified as "available-for-sale financial assets" whose fair value cannot be measured reliably are measured at cost adjusted by any impairment losses, which are recognised in consolidated profit or loss, as required by the new standard IFRS 9.

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

Non-current assets held for sale (disposal group) and discontinued operations whose book value will be recovered mainly through sale rather than through continuous use, are valued at the lower between their net carrying amount and their fair value less costs to sell: any difference between the carrying amount and the fair value less any costs to sell is recognised in the Income Statement.

In accordance with the IFRS, the data relating to non-current assets held for sale and discontinued operations are presented in two specific items in the Statement of Financial Position: assets held for sale and liabilities directly associated with assets held for sale.

With exclusive reference to discontinued operations, the net economic results achieved by them during the sale process (including any capital gains/losses deriving from the sale itself) and the corresponding comparative data of the previous year are presented in a specific item in the Income Statement: net result from discontinued activities or those destined to be sold.

Inventories

Raw materials, supplies and finished products are recognised at the lower of their purchase or manufacturing cost and their realisable value based on market trends, by applying the weighted average cost method.

The resulting amount is subsequently adjusted through the specific “provision for inventory obsolescence”, to account for the goods whose realisable value is expected to be less than their cost.

Contract work in progress whose duration falls within the year is measured according to the costs incurred as documented in the progress reports.

Long-term contract work in progress is recognised based on the consideration paid.

Cash and cash equivalents

Cash and cash equivalents include the cash on hand and positive balances on current bank accounts not subject to restrictions or constraints. These items are shown at their face value.

Accruals and Deferrals

They are determined on an accrual basis and in application of the matching principle. The conditions that led to the original recognition of long-term items have been checked, while making any changes, as necessary.

Financial liabilities, trade payables and other liabilities

Financial liabilities (other than derivative financial instruments), trade payables and other liabilities are initially recognised at fair value, net of directly attributable transaction costs, and are subsequently measured at amortised cost applying the effective interest rate method. If there is a change in the expected cash flows, which can be reliably determined, the liabilities are recalculated to reflect this change. Financial liabilities are classified as current liabilities, unless the Company has the unconditional right to defer payment for at least twelve months after the reporting date.

Financial liabilities are derecognised at the time of their settlement and when the Company has transferred all the risks and charges relating to the instrument.

Derivatives

Financial derivatives are assets and liabilities recognised at fair value. The Company uses financial derivatives to hedge interest rate risks.

In accordance with the new IFRS 9, financial derivatives qualify as hedging derivatives only if:

- at the time that the hedge is established there is a formal designation and the hedging relationship is documented;
- the hedge is deemed highly effective;
- the effectiveness can be reliably measured;
- the hedge is highly effective during the different accounting periods for which it is designated.

When derivatives qualify for hedge accounting, the following accounting treatments are applied:

- if the derivatives hedge the risk of fluctuations in the fair value of the hedged assets or liabilities (fair value hedge; e.g., hedging fluctuations in the fair value of fixed-rate assets/liabilities), they are measured at fair value through profit or loss; accordingly, the hedged assets and liabilities are adjusted to reflect changes in fair value associated with the hedge risk;
- if the derivatives hedge the risk of fluctuations in the cash flows of the hedged assets or liabilities (cash flow hedge; e.g., hedging fluctuations in the cash flows of assets/liabilities caused by fluctuations in interest rates), changes in the fair value of derivatives are initially recognised in equity and subsequently transferred to profit or loss based on the economic effects of the hedged transactions.

If hedge accounting cannot be applied, the gains or losses resulting from the measurement at fair value of the derivatives are immediately recognised in profit or loss.

Employee benefits

Short-term benefits are represented by wages and salaries, social security, indemnities in lieu of holidays and incentives in the form of bonuses payable in the twelve months after the reporting date. Such benefits are recognised under personnel costs in the period in which their services are rendered.

Post-employment benefits are divided into two categories: defined contribution plans and defined benefit plans.

In defined contribution plans, contribution costs are charged to profit or loss when incurred, based on their nominal amount.

In defined benefit plans, which include employee severance indemnities governed by article 2120 of the Italian Civil Code ("TFR"), the amount of the benefit to be paid is quantifiable only after termination of employment, and associated with one or more factors such as age, the years of service and remuneration. The liability recognised for defined benefit plans is the present value of the obligation at the reporting date. The related cost is recognised in other comprehensive income (OCI) based on actuarial calculations. The defined benefit plan obligations are determined annually by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to high-quality corporate bonds issued in Euro which take into account the period of the related pension plan. With reference to the Company, this category includes the employee severance indemnities accrued as at 31 December 2006 (or at the date selected by the employee when the option to make contributions to supplementary pension funds is chosen), and the rate discounts given to former employees.

Starting from 1 January 2007, Finance Law 2007 and the related implementing decrees introduced amendments concerning the TFR. The amendments include the decision of employees as to the destination of their accruing TFR. In particular, new flows of TFR can be allocated by the employee either to selected pension funds or maintained in the company. In the case of selected pension funds, the defined contribution will be paid to the fund and, starting from such date, the new amounts accrued become defined contribution plans not subject to actuarial measurement.

Defined benefit plans also include the rate discounts that the Company provides to former employees. These discounts also entail assessments which adequately consider when the related services will be provided and, accordingly, the need to calculate them using average present values.

Changes in actuarial gains and losses are recognised in OCI in accordance with IAS 19 Revised.

Provisions for risks and charges

Provisions for risks and charges are set up to cover losses or liabilities whose existence is certain or probable but that at the end of the reporting period are uncertain as to amount or as to the date on which they will arise. Provisions are recognised only when there is a current obligation (legal or constructive) for a future outflow of resources deriving from a past event and it is probable that the outflow will be necessary to fulfil the obligation. This amount represents the best estimate of the present value of expenditures required to settle the obligation. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, the provisions to be accrued are equal to the present value of the expected outflow, using a rate that reflects market conditions, the change in the time value of money and the risks specific to the obligation. The increase in the provision due to changes in the time value of money is recognised as interest expense.

Revenue recognition

Revenues and income are recognised net of returns, discounts and rebates, as well as taxes directly related to the sale of products and the provision of services. They are split between revenues from operating activities and financial income accruing between the date of sale and the date of payment.

In particular:

- revenues for distribution are recognised on the basis of the tariffs recognised by the Authority and are subject to equalisation at the end of the financial year to reflect, on an accrual basis, the remuneration recognised by the Authority for the investments made;
- revenues are recognised when (or gradually as) the relevant obligation is fulfilled, by transferring the promised goods or services to the customer. The transfer occurs when (or gradually as) the customer acquires control of the goods or services. The recognised revenue corresponds to the price attributed to the relevant obligation that is measured. Revenues are only recognised if it is considered probable that the relevant amount will be received for the goods or services transferred to the customer.

Cost of goods purchased and services performed

Purchases of goods and the performance of services are recognised in profit or loss on an accrual basis.

Income taxes

Current taxes are calculated based on the taxable income for the year, applying the current tax rates at the reporting date.

Deferred taxes are calculated for all differences emerging between the tax base of an asset or liability and the respective carrying amount. Deferred tax assets, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable income will be available against which they may be recovered. Deferred tax liabilities are determined using the tax rates that are expected to apply in the periods in which the differences will be realised or extinguished, based on the tax rates in force or substantially in force at the reporting date.

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

New accounting standards

The accounting standards adopted to prepare the financial statements are consistent with those used to prepare the financial statements at 31 December 2022, except for the adoption of the new standards, amendments and interpretations in force from 1 January 2023.

Standards, interpretations, amendments and improvements required for the 2023 financial statements

IFRS 17 Insurance Contracts

The new standard establishes the principles for the recognition, measurement and disclosure of insurance contracts under the IAS/IFRS. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023.

The application had no impact on the economic and financial situation.

IAS 8 Definition of accounting estimates

The changes made to the standard in question are aimed at providing a clarification on the distinction between change of estimates and/or accounting principles and correction of errors. This defines the methods used by entities to apply valuation techniques to develop accounting estimates.

The application had no impact on the economic and financial situation.

IAS 1 Presentation of Financial Statements

The amendments introduced require companies to provide information on relevant accounting standards rather than on significant accounting standards.

The application had no impact on the economic and financial situation.

IFRS Practice Statement 2 Making Materiality Judgements

The amendments provide guidance on how to apply the concept of materiality to accounting policy reporting.

The application had no impact on the economic and financial situation.

IAS 12 Taxes

The amendments introduced a temporary exception to the accounting for deferred taxes related to the application of the provisions in Pillar Two published by the OECD, as well as targeted supplementary information for the companies concerned.

The application had no impact on the economic and financial situation.

New standards and amendments issued by the IASB that are not mandatory for the preparation of the 2023 IFRS financial statements

IFRS 16 Sale and leaseback

A new paragraph was introduced to the standard which concerns the method used by a selling lessee to assess the assets and liabilities recorded following a sale and leaseback transaction. In particular, it is required that the “revised lease payments” are recorded in such a way as not to generate any impact on the profit (or loss) relating to the right of use retained by the seller-lessee himself. Amendments are mandatory for financial statements after 1 January 2024. The application is not expected to have an impact on the financial position.

IAS 1 Presentation of financial statements (current and non-current liabilities)

Already in 2020, the IASB had issued further amendments to IAS 1, aimed at better defining the classification of liabilities as current or non-current. These changes could have a significant impact on many entities, with the effect of having more liabilities classified as current (e.g. loan covenants). Amendments are mandatory for financial statements after 1 January 2024.

Non-recurring significant transactions

AGSM AIM SpA is the holding company of the AGSM AIM Group. Effective during the year 2023, the following corporate reorganisation and simplification operations took place:

- on 10 January 2023, AGSM AIM POWER Srl acquired the ownership of the entire shareholding of the companies JUWI DEVELOPMENT 02 Srl and JUWI DEVELOPMENT 08 Srl;
- on 27 January 2023, with effect from 1 February 2023, SIT S.p.A. sold the business unit called “Ramo raccolta Vicenza” to Valore Ambiente S.r.l. The transferred business unit includes services relating to the collection of both urban and industrial waste in the Municipality of Vicenza and until October at the Municipality of Costabissara;
- on 5 April 2023, the company AGSM AIM Ambiente S.r.l. was the beneficiary of the partial demerger by splitting a well-defined part of the share capital of AMIA VERONA S.p.A.;
- on 24 May 2023, 2V ENERGY SRL was merged by incorporation into AGSM AIM ENERGIA S.p.A.;
- on 30 August 2023 SIT S.p.A. sold the business unit called “Raccolta San Bonifacio” to SERIT S.r.l.. The transferred business unit relates to services for the collection of urban waste in the Municipality of San Bonifacio;
- on 25 September 2023 AGSM AIM S.p.A. transferred, for a consideration, the share certificate owned by it equal to 100% of the share capital of the company S.I.T. – Società igiene territorio – S.p.A to AGSM AIM Ambiente S.r.l.;
- on 27 September 2023 AGSM AIM Ambiente S.r.l. acquired the remaining 50% of the share capital of the Italian limited liability company “D.R.V. S.r.l.” becoming its sole quotaholder;
- on 5 October 2023, the company AMIA VERONA S.p.A. sold the business unit called “Ramo TM” concerning waste sorting activity to Transeco S.r.l.;
- on 29 November 2023, AGSM AIM S.p.A. sold its entire stake in AMIA VERONA S.p.A. to AMIAVR S.p.A.;
- on 15 December 2023 AGSM AIM Ambiente S.r.l. acquired the entire share capital of the limited liability company “TRE V Ambiente S.r.l. - Unipersonale”;
- on 15 December 2023, the business unit called “Ramo gestione sito Le Strillaie” was sold to third parties, consisting of the complex of assets intended for the management of the Pump & Treat plant and the leachate purification plant located at the Le Strillaie landfill in Grosseto, as well as the management of the photovoltaic and biogas recovery plants at the same site;

The transactions described above were aimed at completing the reorganisation process of the Group that began in the previous period and at developing synergies and integrations to improve positioning in the Group’s businesses through the enhancement of the individual sector companies of their brands and territorial coverage.

3 Notes to the Statement of Financial Position

Non-current assets

3.1 Intangible assets

A breakdown of the item "Intangible assets" as at 31 December 2023, is provided below with the relevant changes.

Net value	Industrial patents and intellectual property rights	Concessions, licences, trademarks, and similar rights	Intangible assets under development	Other	Total
Opening Balance	2,599	84,132	750	254	87,735
Investments	822	840	616	-	2,278
Reclassifications	629	22	(652)	-	-
Amortisation and depreciation	(1,126)	(7,109)	-	(35)	(8,271)
Closing Balance	2,924	77,884	715	219	81,742

Intellectual property rights refer to costs incurred for software. The increase recorded during the year is attributable to the costs of implementing management and invoicing systems. Amortisation is estimated over a period of 5 years on a straight-line basis.

Concessions mainly refer to values deriving from the enhanced valuation of the gas distribution concession granted by the Municipality of Treviso. Concessions are mainly amortised on a straight-line basis over the term of the concession agreements.

Assets under concession refer to property, plant and equipment and intangible assets serving the concessions that meet the requirements to be recognised in accordance with IFRIC 12. They are related for Euro 20,470 thousand to the integrated water service concession of the city of Verona, for Euro 26,096 thousand to property, plant and equipment serving the concessions of the integrated water service of the city of Vicenza, and for Euro 12,493 thousand to property, plant and equipment related to gas distribution in the Municipality of Treviso.

3.2 Property, plant and equipment

The breakdown of property, plant and equipment at 31 December 2023 and the changes occurred during the year, with regard to the historical cost of non-current assets is shown below.

Historical cost	Land and buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Right-of-use assets	Property, plant and equipment under development	Total
Opening Balance	97,189	39,357	3,209	14,657	1,695	14,366	170,472
Investments	1,317	1,302	45	1,030	565	4,420	8,678
Disposals and Sales	(65)	(102)	(1)	(478)	(95)	-	(741)
Reclassifications	147	563	81	15	-	(806)	-
Closing Balance	98,588	41,119	3,334	15,225	2,165	17,979	178,410

Investments mainly relate to:

- revamping of the anaerobic digestion section of the Cà del Bue solid urban waste treatment plant for Euro 13,761 thousand; work was still in progress as at 31 December 2023;
- construction of new sites for wind and photovoltaic renewable energy production;
- construction of the infrastructure part for IT development projects (hardware equipment);
- extensions and improvements to company premises and their appurtenances.

The changes during the year with respect to accumulated depreciation are shown below.

Accumulated Depreciation	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Right-of-use assets	Total
Opening Balance	38,467	36,298	2,961	12,364	903	90,992
Disposals and Sales	-	(27)	(1)	(429)	(73)	(531)
Amortisation and depreciation	2,065	408	51	915	386	3,824
Closing Balance	40,532	36,679	3,010	12,849	1,215	94,286

An analysis is provided below of the size of the individual items belonging to property, plant and equipment as at 31 December 2023.

Net value	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Right-of-use assets	Assets under construction	Total
Opening Balance	58,722	3,059	248	2,293	792	14,366	79,480
Investments	1,317	1,302	45	1,030	565	4,420	8,678
Disposals and Sales	(65)	(75)	-	(48)	(22)	-	(210)
Reclassifications	147	563	81	15	-	(806)	-
Amortisation and depreciation	(2,065)	(408)	(51)	(915)	(386)	-	(3,824)
Closing Balance	58,057	4,440	323	2,376	950	17,979	84,125

Land and buildings mainly refer to buildings and appurtenances of the company offices (Euro 52,453 thousand), and to buildings and appurtenances of the Cà del Bue power plant.

Plant and machinery consists mainly of general plant at the various company sites.

Other assets mainly include office furniture and fittings (Euro 406 thousand), cars and transport vehicles used by the various company divisions for Euro 47 thousand, and electronic machinery (IT devices and video surveillance equipment) for Euro 1,922 thousand.

Right-of-use assets include immovable property covered by lease agreements and motor vehicles in the vehicle fleet covered by long-term rental agreements.

Assets under construction relate to Revamping works of the anaerobic digestion section of the Cà del Bue solid urban waste treatment plant for Euro 13,761 thousand and activities related to the development of new renewable energy plants (Euro 2.555 thousand for a wind power plant and Euro 599 thousand related to photovoltaic plants).

Depreciation rates

	Economic/Technical Rates
- Buildings	1.67% - 6.00%
- General plant and machinery	3.33% - 6.00%
- Meters and measuring instruments	4.00% - 6.67%
- Equipment, instrumentation and tools	5.00 - 10.00%
- Vehicles and trucks	5.00% - 6.67% - 20.00% - 25.00%
- Electronic machinery	20.00%
- Assets under concession (water and gas)	1.75% - 8.00%
- Concessions and leasehold improvements	duration of concession
- Software licences	20.00%

3.3 Equity investments

For the Equity investments at 31 December 2023 and with reference to each equity investment held, the final amount and the amounts relating to any revaluations, impairment losses and changes that occurred during the year, are shown below.

As a result of the business combination that took place in 2021, according to IFRS 3 - Business combinations - the value of certain equity investments includes the fair value measurement as an allocation of the price related to the business combination transaction.

Equity investments	Opening balance	Investments	Extraordinary transactions	Disposals and sales	Closing Balance
AGSM Holding Albania Sh.A.	750	-	-	-	750
AGSM AIM Ambiente Srl	50	-	7,138	-	7,188
Azienda Multiservizi Igiene Ambientale	21,382	-	(7,138)	(14,244)	-
V-Reti SpA	316,937	-	-	-	316,937
AGSM AIM Calore Srl	37,520	-	-	-	37,520
AGSM AIM Power Srl	61,776	-	-	-	61,776
AGSM AIM Smart Solutions Srl	52,582	-	-	-	52,582
AGSM AIM Energia SpA	135,687	-	-	-	135,687
S.I.T. Società Igiene Territorio Spa	694	101	-	(796)	-
Valore Ambiente Srl	13,062	-	-	-	13,062
Total	640,441	101	-	(15,040)	625,502
Consorzio GPO	8,737	159	-	-	8,896
SI.VE Srl	36	-	-	-	36
Total	8,773	159	-	-	8,932

During 2023, there began a reorganisation of the equity investments held by AGSM AIM S.p.A. directly and indirectly attributable to the environmental business unit, which were merged under the reference company for the Environment BU. At the same time, the shareholding in AMIA S.p.A. was sold to the subsidiary of the Municipality of Verona, AMIAVR S.p.A., after having demerged the financial assets related to the equity investments in favour of AGSM AIM Group. With regard to the equity investment held in AGSM AIM Ambiente Srl, the increase in value is attributable to the transfer of a business unit previously related to Amia Verona Spa. The equity investment in Amia was sold to a subsidiary of the Municipality of Verona. The equity investment in S.I.T. was sold to AGSM AIM Ambiente Srl while the stake in Consorzio GPO was revalued.

Equity investments in subsidiaries

Name	Head office	Share capital	Equity	Profit (Loss)	% stake	Book value
AGSM Holding Albania Sh.A.	Tirana (Albania)	138,310	88,319		25.00%	750
AGSM AIM Ambiente Srl	Vicenza	50	6,858	(297)	100.00%	7,188
V-Reti SpA	Vicenza	90,400	324,741	11,597	99.83%	316,937
AGSM AIM Calore Srl	Verona	3,000	38,624	1,104	100.00%	37,520
AGSM AIM Power Srl	Verona	3,000	62,366	9,256	100.00%	61,776
AGSM AIM Smart Solutions Srl	Vicenza	3,000	50,249	2,070	100.00%	52,582
AGSM AIM Energia SpA	Verona	5,271	84,679	30,222	94.85%	135,687
S.I.T. Società Igiene Territorio Spa	Vicenza	1,000	710	(86)	100.00%	-
Valore Ambiente Srl	Vicenza	1,012	14,022	1,234	100.00%	13,062
Total						625,502

It should be noted that the value of equity investments was tested for impairment when the value exceeded the corresponding share of equity.

Equity investments in associates

Name	Head office	Share capital	Equity	Profit (Loss)	% stake	Book value
Consorzio GPO	Reggio Emilia	20,197	22,852	273	33.46%	8,896
S.I.V.E S.r.l.	Legnago (VR)	151	1,587	127	24.25%	36
Total						8,932

The equity investment in Consorzio GPO was measured using the equity method, according to which the original cost is periodically adjusted (positively or negatively) to reflect both the portion of the profit or loss attributable to the parent company and other changes in the investee's equity in the periods after the acquisition date. The equity investment is valued at Euro 8,896 thousand.

The composition of the Consortium Fund has changed compared to last year, following the sale of the share held by AMIA Verona Spa to AGSM AIM Ambiente Srl, and is therefore as follows:

- IRETI Spa equity investment of Euro 12,593 thousand, equal to 62.35%;
- AGSM AIM SpA equity investment of Euro 6,759 thousand, equal to 33.46%;

- AGSM AIM Ambiente Srl equity investment of Euro 845 thousand equal to 4.19% (previously held by AMIA Verona Spa).

S.I.Ve. is measured using the cost method for Euro 36 thousand.

Equity investments in other companies

Other minority equity investments include those in ICQ Holding Spa, Fondazione G.RUMOR, Ascopiave SpA and Banca Etica. The equity investment in ICQ Holding relates to an industrial initiative that is still dormant and is fully covered by a provision.

Impairment test on equity investments in subsidiaries, associates and other

For all equity investments that have a higher carrying amount than the corresponding fraction of Shareholders' Equity and/or whenever the presence of specific impairment indicators is detected, an impairment test is conducted.

The recoverable value of the equity investments was determined on the basis of the current value of the corresponding expected net cash flows attributable to the investee companies. It is specified that these cash flows are consistent with those used for the CGU Impairment Test in the Consolidated Financial Statements. The same applies to the methodological approach, the basic assumptions and the discount rates adopted, which are better detailed in the Consolidated Annual Financial Report, to which reference should be made for further details. The results of the Impairment Test carried out did not result in any write-down and/or revaluation of the values recorded as at 31 December 2023.

3.4 Other non-current financial assets

A breakdown of Other non-current financial assets at 31 December 2023 and 2022 is provided below.

Other non-current financial assets	2023	2022	Change	% change
Financial receivables from subsidiaries	9,781	12,060	(2,279)	-19%
Financial receivables from others	11,198	11,005	193	2%
Financial receivables from subsidiaries of parent companies	14,945	-	14,945	N/A
Total	35,924	23,065	12,859	56%

The item "Financial receivables from subsidiaries" refers to the non-current portion of mortgage loans granted to AGSM AIM Power Srl for Euro 6,119 thousand, Eco Tirana Sha for Euro 1,227 thousand and SIT for Euro 102 thousand.

This item also includes financial receivables from the subsidiaries Società Igiene e Territorio Spa and Blue Oil Srl of Euro 3,272 thousand and Euro 353 thousand, respectively, for which a provision for doubtful accounts totalling Euro 1,292 thousand has been set aside.

An interest rate reflecting the average cost of AGSM AIM SpA's bank loans, i.e. in line with that available on the market, is applied to loans granted to wholly-owned subsidiaries.

Financial receivables from others mainly refer to the present value of the receivable from the Municipality of Verona for the residual value of the water assets under concession for Euro 11,188 thousand.

Financial receivables from subsidiaries of parent companies, amounting to Euro 14,945 thousand, refer to the sale to AMIA VR Srl for the sale of the equity investment in AMIA VERONA S.p.A.

3.5 Deferred tax assets

This item includes the receivable for deferred tax assets arising from the costs charged during the current and previous years, which will become tax deductible in subsequent years. The recovery is due to costs charged in previous years that met the requirements for deductibility from taxable income in 2023. The item is broken down below:

Deferred tax assets	2023	2022	Change	% change
Deferred tax assets	6,943	7,959	(1,016)	(13)
Total	6,943	7,959	(1,016)	(13)

Further details about changes in this item are provided in the final part of the note.

3.6 Other non-current assets

A breakdown of the item "Other non-current assets" at 31 December 2023 and 2022 is provided below.

Other non-current assets	2023	2022	Change	% change
Receivables from others	86	86	-	-
Prepaid expenses	614	772	(158)	(20)
Security deposits	584	584	-	-
Total	1,284	1,442	(158)	(11)

Other non-current assets mainly include receivables for security deposits and prepaid expenses, under long-term sponsorship contracts, aimed at promoting the Group's corporate image, on sports facilities and during cultural events.

Receivables from others relate to the principal and interest on the INA collective policy.

Current assets

3.7 Inventories

A breakdown of "Inventories" at 31 December 2023 and 2022 is provided below.

Inventories	2023	2022	Change	% change
Raw materials, consumables and supplies	1,298	1,336	(38)	(3)
Provision for warehouse write-downs	(700)	(700)	-	-
Advances	5	5	-	-
Total	603	641	-38	-6

Inventories of raw materials, consumables and supplies consist of consumable materials used in corporate activities for maintenance and consumption. The above amount is shown net of a provision for inventory write-downs of Euro 700 thousand set aside to show inventories at their estimated realisable value.

3.8 Trade receivables

A breakdown of "Trade receivables" is provided below for the financial years ended 31 December 2023 and 2022.

Trade receivables	2023	2022	Change	% change
Trade receivables	5,909	12,140	(6,231)	(51)
Receivables from subsidiaries	31,012	20,899	10,113	48
Receivables from subsidiaries of the parent company	2,372	1,392	980	70
Receivables from associates	121	33	87	262
Total	39,414	34,464	4,949	14

Trade receivables

Receivables from customers mainly consist of receivables for rates and environmental health services carried out in the Municipality of Vicenza and services from the Gas Distribution sector relating to operations carried out in the Municipality of Treviso.

Allowance for doubtful accounts	Opening balance	Accrual	Uses	Closing Balance
Allowance for doubtful accounts	2,548	-	(42)	2,506
Total	2,548	-	(42)	2,506

The allowance for doubtful accounts represents the quantification of the insolvency risk in relation to existing receivables from customers calculated on the basis of specific analytical assessments. The current amount of the allowance was deemed adequate and no further provisions were made during the year. The use of Euro 42 thousand was recognised following the closing of the settlement agreement on previous open positions.

Receivables from subsidiaries

Receivables from subsidiaries mainly consist of receivables for corporate services provided to them, including interest charged in connection with group cash pooling.

Receivables from subsidiaries of parents

Receivables from subsidiaries of parents refer to the company Acque Veronesi Scarl for the activities carried out under service agreements, the rental and maintenance of the cogeneration plant and the water treatment plant.

3.9 Current financial assets

A breakdown of "Current financial assets" is provided below for the financial years ended 31 December 2023 and 2022.

Current financial assets	2023	2022	Change	% change
Other equity investments in current assets	21	21	-	0%
Financial derivatives not included among non-current assets	43	126	(83)	-66%
Financial assets for the centralised treasury management towards subsidiaries	172,437	459,202	(286,765)	-62%
Financial receivables from subsidiaries - current portion	2,363	2,292	71	3%
Financial receivables from subsidiaries of parents - current portion	100	-	100	N/A
Financial receivables for dividends from subsidiaries	982	982	-	0%
Total	175,945	462,622	(286,677)	-62%

Financial assets for centralised treasury management towards subsidiaries include outstanding receivables from subsidiaries for group cash pooling services.

The current portion of financial receivables from subsidiaries refers to the portions of loans granted to subsidiaries and falling due by the end of the following year. They mainly refer to the portions attributable to AGSM AIM Power for Euro 1,921 thousand.

Financial receivables for dividends from subsidiaries mainly refer to receivables related to the resolution for the distribution of the profit for 2021 to AGSM AIM Power Srl for Euro 980 thousand.

The item "Financial derivatives" includes the positive fair value of hedging derivative contracts outstanding on the measurement date. The essential information on existing derivative contracts is provided below.

Contract date	Type	Counterparty	Closing Date	Purpose	Risk hedged	Notional	MU	Fair Value at 31/12/23
09/09/2015	Interest rate swaps	Intesa San Paolo	31/12/2024	Hedging	Interest	6,000	Euro	43

3.10 Current tax assets

A breakdown of "Current tax assets" is provided below for the financial years ended 31 December 2023 and 2022.

Current tax assets	2023	2022	Change	% change
Current tax assets – IRES	20,723	9,939	10,783	104
Current tax assets – IRAP	1,411	1,590	(179)	(11)
Total	22,134	11,530	10,604	92

3.11 Other current assets

A breakdown of "Other current assets" is provided below for the financial years ended 31 December 2023 and 2022.

Other current assets	2023	2022	Change	% change
Receivables from subsidiaries	26,631	45,162	(18,531)	(41)
Accrued income	72	-	72	-
Current prepaid expenses	837	913	(76)	(8)
Tax receivables	9,974	8,305	1,669	20
Incentive receivables on renewable sources	21	21	-	-
Receivables from CSEA	1,029	3,933	(2,903)	(74)
Advances to suppliers	114	263	(149)	(57)
EEC - Energy Efficiency Certificates	408	406	3	1
Other receivables	2,261	2,186	75	3
Total	41,348	61,188	(19,841)	(32)

The item "Sundry receivables from subsidiaries" refers to receivables for Group VAT and tax consolidation.

The item "Tax receivables" mainly includes the VAT receivable.

The item "Receivables from CSEA" consists of amounts related to equalisation adjustments and tariff components yet to be collected from the Cassa per i Servizi Energetici e Ambientali.

"Current prepaid expenses" mainly refer to amounts paid in advance in accordance with sponsorship agreements, fees paid in advance in relation to software licences and the use of application platforms, and advances on water and sewerage concession charges for the Municipality of Vicenza.

The item "Incentive receivables" consists of receivables for contributions recognised by the Gestore dei Servizi Energetici (Manager of Energy Services).

The item "Other receivables" mainly consists of receivables from the Gestore dei Servizi Energetici (Manager of Energy Services).

3.12 Cash and cash equivalents

A breakdown of "Cash and cash equivalents" is provided below for the financial years ended 31 December 2023 and 2022.

Cash and cash equivalents	2023	2022	Change	% change
Bank and postal accounts	9,747	1,014	8,734	862
Cash-in-hand and cash equivalents	42	42	1	2
Total	9,790	1,055	8,734	828

The amount of Euro 9,790 thousand refers to demand cash and cash equivalents available at banks at the reporting date, of which Euro 9,747 thousand refers to bank current account balances and the rest to cash and cash on hand. For details and analysis of changes in this item, reference should be made to the Report on Operations.

Equity

The table on the following page summarises the movements in the equity items during the year.

Pursuant to Article 2427, point 7 bis, of the Italian Civil Code, the Legal reserve can only be used to cover losses. Other reserves, for the portion that includes the revaluation of investments measured with the equity method, can be used to cover losses and increase share capital. All other reserves, on the other hand, can be used to cover losses, increase share capital and also for distribution to shareholders.

3.13 Share capital

The share capital of AGSM AIM SpA, equal to Euro 95,588 thousand, is unchanged from last year. 61.2% is owned by the Municipality of Verona and 38.8% by the Municipality of Vicenza and consists of 63,725,490 ordinary shares with a nominal value of Euro 1.5 each.

3.14 Legal reserve

The legal reserve of Euro 16,348 thousand was increased during the year, with part of the 2021 and 2022 profits being allocated.

3.15 Other reserves

The Share premium/contribution reserve from shares/contributions amounts to Euro 384,339 thousand. It was set up in 1999 following the completion of the Special Enterprise's valuation process and decreased by Euro 2,921 thousand in 2001 in relation to the free capital increase, concurrently with the conversion into euro. In 2021 it increased even further following the increase approved for the issue of the shares to be assigned to the shareholders of the merged Companies, as part of the extraordinary transaction for the re-structuring of the Group.

The extraordinary reserve of Euro 3,875 thousand decreased compared to the previous year due to the distribution of dividends.

The reserve for contributions of Euro 3,194 thousand includes the residual portions (not included in the abovementioned share premium/contribution reserve) of contributions for investments received up to 31 December 1997 and recognised under the equity components, in line with the accounting criteria adopted up to that date.

The reserve for adjusting values under Law 127/97 for Euro 34,836 thousand was recognised in 2000 following the adjustment of the values of the assets contributed by the Special Enterprise to the joint stock company on 1 January 2000, based on the valuations prepared by the Board of Directors with reference to the appraisal prepared pursuant to and for the purposes of Article 2343 of the Italian Civil Code.

The item "Other reserves" of Euro 10,152 thousand refers to the effects of previous revaluations of equity investments on equity and the recognition of actuarial gains and losses on valuations of the defined benefit plans.

The expected cash flow hedge reserve, standing at Euro 43 thousand, includes the fair value and the corresponding changes of the financial instruments held by the Company to hedge the interest rate risk on certain loans.

The IFRS FTA reserve represents the amount as at 1 January 2021 for the adoption of IAS/IFRS.

Retained earnings, which at the end of the year amounted to Euro 400 thousand, increased due to the allocation of the previous year's result and decreased due to the distribution of dividends and the re-allocation of the same to reserves.

The result of the 2022 financial year, which amounted to Euro 14,242 thousand, with a resolution of 26 June 2023, was allocated to the legal reserve for Euro 712 thousand, to the revaluation reserve for Euro 654 thousand and for the remaining part equal to Euro 12,876 thousand as dividends to shareholders.

During the year, a total of Euro 38,000 thousand of dividends were distributed, including the aforementioned Euro 12,876 thousand from 2022 profits, in addition to Euro 20,241 thousand from reserves from available profits relating to 2021 and a further Euro 4,883 thousand of extraordinary reserves.

3.16 Profit (loss) for the year

The profit for 2023 amounted to Euro 44,537 thousand.

Equity	Share capital	Share premium/contribution reserve	Revaluation surplus	Legal reserve	Extraordinary reserve	Provision for grants related to plants	Transformation reserves as per Law 127/97	IFRS FTA Reserve	Other reserves	Cash flow hedge reserve	Retained earnings/(losses)	Profit (loss) for the year	Total equity
Opening Balance	95,588	384,339	-	13,139	8,758	3,194	34,836	(5,892)	7,508	96	23,340	14,242	579,148
Allocation of the result	-	-	-	712	-	-	-	-	654	-	12,876	(14,242)	-
Dividends paid	-	-	-	-	(4,883)	-	-	-	-	-	(33,117)	-	(38,000)
Decreases	-	-	-	-	-	-	-	-	-	(96)	-	-	(96)
Reclassifications	-	-	201	2,497	-	-	-	-	-	-	(2,698)	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	1,990	43	-	-	2,032
Net profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	44,537	44,537
Closing Balance	95,588	384,339	201	16,348	3,875	3,194	34,836	(5,892)	10,152	43	400	44,537	587,622

Non-current liabilities

3.17 Non-current financial liabilities

A breakdown of the item “Non-current financial liabilities” at 31 December 2023 and 2022 is provided below.

Non-current financial liabilities	2023	2022	Change	% change
Bonds	-	10,014	(10,014)	-100%
Bank loans	151,965	199,957	(47,992)	-24%
Loans and borrowings from other financial backers	452	370	83	22%
Total	152,417	210,341	(57,923)	-28%

Total long-term bank loans amounted to Euro 151,965 thousand (nominal value Euro 200,678 thousand), and consisted of the principal portion of the loans. The total amount of bank loans, including the short-term portion owed for the principal amount, as reported under current liabilities, is Euro 51,214 thousand. Loans granted by banks require compliance with certain covenants, which, as at 31 December 2023, have been met. The costs incurred by the Company to obtain bank loans were initially recognised with a reduction in financial liabilities and subsequently recognised among financial expenses using the amortised cost method in accordance with IFRS 9.

Bonds refer to the non-current portion of the non-convertible, unsubordinated and unsecured bond loan, with an original value of Euro 70,500 thousand, placed on the Main Securities Market, a regulated market managed by the Euronext Dublin Irish Stock Exchange. The first issue of Euro 50,000 thousand was listed on 20/09/2017, while a second tranche amounting to Euro 20,500 thousand was issued on 17/09/2018. This loan will be extinguished during the next financial year, therefore, as of 31 December 2023, the non-current portion is zero.

Loans and borrowings from other financial backers include the non-current portion of lease payables for property, plant and equipment recorded in accordance with IFRS 16.

3.18 Employee benefits

The breakdown of “Employee benefits” at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below:

Employee benefits	Opening balance	Accruals	Uses	Other changes	Other comprehensive income - Employee benefits	Closing Balance
Employee severance indemnities	2,817	103	(154)	(23)	90	2,832
Provision for rate discounts	6,326	272	(404)	-	(2,079)	4,115
Total	9,143	375	(558)	(23)	(1,990)	6,947

In compliance with IAS 19, the employee severance indemnities (TFR) and discounts from tariff rates applied to former employees have been considered as defined benefit obligations and consequently, the related liability is measured using actuarial techniques. In accordance with IAS 19R, actuarial valuations are carried out based on the accrued benefit method using the Projected Unit Credit Method.

This method calculates the TFR accrued at a specified date on an actuarial basis, allocating the charge over the residual work life of current employees.

The technical assessments required by the application of IAS 19 were carried out on the basis of the technical-economic assumptions set out below.

Summary of the technical and economic bases	2023	2022
Discounting annual rate	3.17%	3.77%
Annual inflation rate	2.00%	2.30%
TFR annual growth rate	3.00%	3.22%
Effective annual remuneration growth rate	0.75%	0.75%

It should be noted that:

- the annual discount rate used to determine the current value of the bond has been calculated, in line with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ recorded at the valuation

date. To this end, the yield was chosen with a duration comparable to the duration of the group of workers being assessed;

- the annual rate of increase in severance pay, as provided for by Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual rate of wage increase is applied exclusively for Companies with an average of less than 50 employees during 2006.

Below are the technical-demographic assumptions used:

Summary of technical-demographic bases	2023
Death	RG48 mortality tables published by the Italian State General Accounting Department
Disability	INPS tables divided according to age and gender
Retirement	100% upon reaching the AGO requirements
Annual turnover frequencies	0.50%
Advance frequencies	2.00%

The following table shows the reconciliation between the IAS 19 assessment and the Statutory severance indemnity fund as at 31 December 2023.

Reconciliation of IAS 19 severance indemnities and Statutory severance indemnities	Defined benefit obligation	Statutory severance indemnity	Surplus/ (Deficit)
AGSM AIM Spa	2,832	2,964	132

Finally, it should be noted that the severance indemnity was valued net of revaluation tax.

The new IAS 19, for defined benefit plans of the post-employment type, requires a series of additional information, which must be reported in the Notes to the Financial Statements, such as:

- sensitivity analysis for each relevant actuarial assumption at the end of the year, showing the effects that would have occurred as a result of the changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- indication of the contribution for the following year;
- indication of the average financial duration of the bond for defined benefit plans;
- disbursements provided for by the plan.

This information is provided below.

Sensitivity analysis	Turnover +1.00	Turnover -1.00	Inflation +0.25	Inflation -0.25	Discount rate +0.25	Discount rate -0.25
Employee severance indemnities (TFR)	2,839	2,825	2,862	2,802	2,785	2,880
Rate discounts	N.A.	N.A.	4,209	4,022	4,208	4,023

Service cost and Duration	Service Cost (k)	Duration
Employee severance indemnities (TFR)	-	7
Rate discounts	29	9

Estimated future disbursements	1	2	3	4	5
AGSM AIM Spa	278	187	156	83	254

3.19 Provision for risks and charges

The breakdown of "Provision for risks and charges" at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below.

Provision for risks and future charges	Opening balance	Accruals	Uses	Closing Balance
Provision for future charges	2,063	-	-	2,063
Provision for sundry risks	5,615	332	(694)	5,253
Total	7,678	332	(694)	7,316

The provision for sundry risks was used in relation to disputes concluded; during the year, Euro 332 thousand was set aside for lawsuits against employees.

3.20 Deferred tax liabilities

The table below shows the changes occurred compared to 31 December 2022 of the item "Deferred tax liabilities" at 31 December 2023.

Deferred tax liabilities	Opening balance	Accruals	Uses	Other changes	Closing Balance
Provisions for taxes, including deferred tax liabilities	3,324	26	(234)	(15)	3,101
Total	3,324	26	(234)	(15)	3,101

The provision for taxes, including deferred taxes, includes the payable for deferred tax liabilities for positive income components which, recognised in 2023 or in previous years, do not show the characteristics for contributing to the taxable income for the current year, by virtue of the application of tax provisions. Deferred tax liabilities originated mainly from differences between the statutory and tax values of fixed assets. Further details about changes in the provision item are provided in the final part of the note.

3.21 Other non-current liabilities

The breakdown of "Other non-current liabilities" at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below.

Other non-current liabilities	2023	2022	Change	% change
Advances	-	2,687	(2,687)	-100%
Deferred income	11,909	13,083	(1,174)	-9%
Total	11,909	15,770	(3,861)	-24%

Deferred income is mainly composed of prepaid capital grants related to plants recognised to profit or loss on the basis of the useful life of the assets to which they refer, from the moment they enter into operation.

Current liabilities

3.22 Current financial liabilities

The breakdown of "Current financial liabilities" at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below.

Current financial liabilities	2023	2022	Change	% change
Bonds	10,054	10,071	(17)	0%
Bank borrowings	152,595	353,169	(200,574)	-57%
Loans and borrowings from other financial backers	1,008	798	210	26%
Payable to the Municipality of Vicenza for approved dividends	31,220	19,476	11,744	60%
Payable to the Municipality of Verona for approved dividends	39,780	41,656	(1,876)	-5%
Financial payables to subsidiaries	55,580	91,430	(35,851)	-39%
Total	290,236	516,600	(226,364)	-44%

With regard to payables for mortgage loans due within the next financial year, repayments will amount to Euro 51,214 thousand in accordance with the respective contractual due dates. The return of gas and electricity price curves has led to a significant reduction in bank exposure in the short term (-200,574 thousand).

The item "Bonds" consists of the current portion of the bond already commented on under non-current financial liabilities.

Loans and borrowings from other financial backers include the short-term portion of lease liabilities on property, plant and equipment recognised in the financial statements in accordance with the financial method for accounting for leases as set out in IFRS 16.

3.23 Trade payables

The breakdown of "Trade payables" at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below.

Trade payables	2023	2022	Change	% change
Advances	125	165	(40)	-24%
Trade payables	10,282	19,993	(9,711)	-49%
Payables to parent companies	-	1,401	(1,401)	-100%
Payables to subsidiaries	9,607	12,036	(2,429)	-20%
Payables to associates	-	29	(29)	-100%
Payables to subsidiaries of the parent companies	27	54	(27)	-50%
Total	20,040	33,678	(13,637)	-40%

The item "Trade payables" includes payables to suppliers, net of the credit notes to be received, including both payables for invoices received, but not yet past due, and payables accrued in relation to the relevant purchases and services received in the following year.

The item "Payables to parent companies" in 2022 included the payable to the Municipality of Verona relating to the trade payable for the gas - district heating service agreement, settled during 2023.

The item "Payables to subsidiaries" includes trade payables for services and supplies as detailed at the end of the notes.

3.24 Current tax liabilities

The breakdown of "Current tax liabilities" at 31 December 2023 and the changes occurred compared to 31 December 2022 are shown below.

Current tax liabilities	2023	2022	Change	% change
Current tax payables for IRES	17,780	9,316	8,464	91%
Current tax payables for IRAP	-	179	(179)	-100%
Total	17,780	9,495	8,285	87%

Current tax payables refer to income tax and substitute taxes.

3.25 Other current liabilities

A breakdown of "Other current liabilities" at 31 December 2023 and 2022 is provided below.

Other current liabilities	2023	2022	Change	% change
Sundry payables to subsidiaries	17,132	14,476	2,656	18
Sundry payables to subsidiaries of parent companies	11	-	11	-
Tax payables	11,415	12,464	(1,050)	(8)
Payables to social security and welfare institutions	1,199	1,248	(49)	(4)
Accrued expenses	249	550	(301)	(55)
Deferred income	431	422	9	2
Payables to employees	2,461	2,321	140	6
Payables to CSEA	107	229	(122)	(53)
Security deposits	452	812	(359)	(44)
Other current payables	3,212	3,050	162	5
Total	36,671	35,573	1,097	3

The item "Sundry payables to subsidiaries" is mainly composed of payables accrued for Group VAT and for tax consolidation.

The item "Tax payables" includes the Group's VAT payable to Tax Authorities of Euro 10,059 thousand.

The item "Payables to employees" mainly relates to the consideration due for the productivity bonus and the holidays accrued and not taken at 31 December 2023.

The item "Payables to social security and welfare institutions" includes the payables due at 31 December 2023 for the portions payable by the Company and by employees on wages, salaries and estimated charges, which are to be paid in the following months.

The item "Security deposits" represents the amount paid by customers for taking part in and being awarded tenders.

The item "Other current payables" mainly includes amounts payable to the Municipality of Vicenza for sums collected on its behalf for TARI (waste collection tax) and for the Italian Ministry of the Environment for the management of the OPT-OUT plants.

Notes to the Consolidated Income Statement

Revenues

3.26 Revenue from sales and services

Below is a breakdown by business category of the item "Revenue from sales and services" for the financial years ended 31 December 2023 and 2022 with an indication of the change.

Revenue from sales and services	2023	2022	Change	% change
Revenue from methane gas	6,064	5,720	344	6%
Revenue from fibre optics	25	484	(459)	-95%
Income from car parks and parking services	-	108	(108)	-100%
Fees for collection and sweeping	20,579	20,428	151	1%
Revenue from waste treatment	72	-	72	N/A
Intercompany revenue	27,257	30,881	(3,624)	-12%
Sundry revenue	5,819	6,191	(372)	-6%
Revenue from connections	9	152	(143)	-94%
Total	59,826	63,965	(4,139)	-6%

Intercompany services, which make up the company's main revenue item, amounting to Euro 27,257 thousand, mainly refer to corporate services, provided by the Parent Company for Euro 26,711 thousand and used by the subsidiaries to perform their institutional tasks such as property services, administrative, legal and financial management, planning and control, procurement, engineering, human resources, car parks, IT and quality systems, safety and environmental services. The remainder relates to sales of inventory materials to subsidiaries amounting to Euro 281 thousand.

Revenue from collection and sweeping amounting to Euro 20,579 thousand refers to the fees to manage the waste collection, disposal and transport service paid by the Municipality of Vicenza to AGSM AIM Spa, inclusive of the administrative costs for assessment, collection and litigation, established in compliance with the Waste Pricing Method (MTR) as defined by ARERA in its Decision 443/2019/rif.

Sundry revenue, amounting to Euro 5,819 thousand refers to services rendered to third parties and mainly include revenue from Acque Veronesi Scarl and Viacqua Spa for the lease of assets pertaining to the integrated water service for Euro 4,898 thousand and for other services amounting to Euro 724 thousand.

The methane gas revenue amounting to Euro 6,064 thousand relates to the concession for the distribution of gas in the City of Treviso, under an agreement signed in 2005 for twelve years (now continuing *ope legis* until the new assignment). For further details, reference should be made to the paragraph commenting on the Business Units in the Report on Operations.

3.27 Other revenue

A breakdown of "Other revenue" is provided below for the financial years ended 31 December 2023 and 2022.

Other revenue	2023	2022	Change	% change
Other revenue	482	840	(358)	-43%
Contingent items and non-realised losses	697	3,272	(2,575)	-79%
Contributions/grants	1,176	1,289	(112)	-9%
Gains	297	256	41	16%
Grants for current expenses	146	48	99	208%
Real estate income	1,039	1,035	4	0%
Revenue from services to third parties	26	299	(274)	-91%
Certified revenue	3	72	(70)	-96%
Indemnities, reimbursements and other	33	90	(56)	-63%
Other revenue	3,900	7,202	(3,302)	-46%
Increases in non-current assets	425	887	(461)	-52%
Total	4,325	8,089	(3,764)	-47%

The main component of "Other revenue" is the item relating to contributions deriving from the release of contributions related to plants that contributed to the formation of revenue for Euro 1,176 thousand.

The item "Real estate income" amounts to Euro 1,039 thousand and includes the rent received by the company.

The item related to contingent items and non-realised losses totalled Euro 697 thousand and mainly included the differences between the estimated amounts of production bonuses paid to personnel for the year 2022 and those actually paid after final accounting, and the recognition of non-realised losses on liabilities that had previously been recognised.

The general item of other sundry revenue, totalling Euro 482 thousand, includes the amount of the tax credit recognised under the "Aiuti" and "Aiuti Bis" Decrees, which amounted to Euro 96 thousand.

The increases in non-current assets for internal work, amounting to Euro 425 thousand, include the costs relating to the consumables used, the personnel used for construction work and the costs relating to the additional maintenance carried out for the technological upgrade of the company's plants.

Operating costs

3.28 Costs for raw materials and consumables

A breakdown of "Costs for raw materials and consumables" is provided below for the financial years ended 31 December 2023 and 2022.

Costs for raw materials and consumables	2023	2022	Change	% change
Purchase of materials	1,269	5,685	(4,416)	-78%
Electricity	1,099	1,807	(707)	-39%
Purchase of heat	179	355	(176)	-50%
Gas	79	598	(519)	-87%
Change in inventories	38	(70)	108	-154%
Total	2,665	8,375	(5,710)	-68%

Purchases of raw materials and consumables decreased by 68% compared to the previous year.

The most significant item is the purchase of materials, amounting to Euro 1,269 thousand, which mainly refers to purchases for inventory materials for Euro 369 thousand and purchases of materials to be used for the provision of services for Euro 639 thousand.

The purchase of electricity, gas and heat is related to consumption at the company's offices and is carried out by the Parent Company AGSM AIM Energia S.p.A.

The change in inventories amounted to Euro 38 thousand.

3.29 Services

A breakdown of "Services" is provided below for the financial years ended 31 December 2023 and 2022.

Services	2023	2022	Change	% change
Intercompany services	23,285	23,463	(178)	-1%
Hardware and software maintenance	4,213	3,625	588	16%
Personnel costs	2,387	1,780	607	34%
Professional services	2,297	3,702	(1,405)	-38%
IT services	2,260	2,760	(500)	-18%
Advertising and sponsorships	1,459	1,788	(329)	-18%
Costs for works and maintenance	1,094	1,299	(205)	-16%
Security, cleaning and portorage	1,051	1,031	20	2%
Directors' remuneration	630	869	(239)	-28%
Telephony expenses	478	500	(22)	-4%
Insurance	277	364	(86)	-24%
Various outsourced services	233	255	(21)	-8%
Board of Statutory Auditors fees	205	205	-	0%
Bank services	125	180	(55)	-31%
Internal consumption for office use	59	40	19	46%
Other services	821	1,008	(187)	-19%
Total	40,874	42,869	(1,995)	-5%

Intercompany services, amounting to a total of Euro 23,285 thousand, mainly include Euro 20,109 thousand relating to the management of waste collection and disposal provided by the subsidiary Valore Ambiente Srl, and Euro 3,116 thousand relating to various services provided by subsidiaries (including services for the remote control operating centre provided by the subsidiary V-Reti Spa for Euro 1,723 thousand; TARI tariff management services provided by the subsidiary AGSM AIM Energia Spa for Euro 380 thousand; miscellaneous connectivity services provided by the subsidiary AGSM AIM Smart Solutions Srl for Euro 390 thousand; photovoltaic services relating to the head office and Ca' del Bue provided by the subsidiary AGSM AIM Power Srl for Euro 388 thousand and maintenance work on the cooling/heating systems provided by the subsidiary AGSM AIM Calore Spa for Euro 198 thousand).

The item "Hardware and software maintenance" mainly refers to software maintenance fees of Euro 4,012 thousand.

3.30 Leases and rentals

A breakdown of "Leases and rentals" is provided below for the financial years ended 31 December 2023 and 2022.

Leases and rentals	2023	2022	Change	% change
Rent for the use of third-party networks	1,585	1,296	289	22%
Concession charges	527	158	369	233%
Rentals	210	296	(86)	-29%
Rents and leases	160	46	113	245%
Lease payments	-	225	(225)	-100%
Total	2,482	2,022	461	23%

The item "Rent for the use of third-party networks" refers to the fee paid to the Municipality of Treviso for the concession of the gas distribution service.

The item "Concession charges" relates to the fees for the existing concessions with the municipality of Vicenza.

The rentals in question are mainly connected to the company car fleet, while the rents and leases include the rental quotas for the electricity substations.

3.31 Other operating costs

A breakdown of "Other operating costs" is provided below for the financial years ended 31 December 2023 and 2022.

Other operating costs	2023	2022	Change	% change
IMU (municipal property tax) and TASI (municipal tax)	615	612	3	0%
Other taxes and duties	516	499	17	3%
Contingent liabilities	403	1,716	(1,313)	-76%
Donations	150	247	(96)	-39%
Crossing fees	147	131	16	12%
Indemnities	104	34	70	204%
Losses on disposals and non-realised gains	45	100	(54)	-55%
Authority Contribution	25	62	(37)	-60%
Other general expenses	539	533	6	1%
Total	2,544	3,933	(1,389)	-35%

The most relevant item is that relating to IMU-TASI.

The others include one relating to contingent liabilities that concerns adjustments and possible differences between estimated economic components pertaining to previous years and the final components.

Other general expenses mainly include membership fees of Euro 386 thousand.

Other taxes and duties consist of indirect taxes of Euro 211 thousand, taxes and concessions of Euro 43 thousand and other taxes, charges, rights and permits of Euro 262 thousand.

3.32 Personnel costs

A breakdown of "Personnel costs" is provided below for the financial years ended 31 December 2023 and 2022.

Personnel costs	2023	2022	Change	% change
Wages and salaries	13,965	13,169	796	6%
Social security contributions	3,889	3,775	114	3%
Employee severance indemnities	825	845	(20)	-2%
Other personnel costs	258	311	(53)	-17%
Total	18,937	18,099	837	5%

The table below shows the number of employees broken down by category.

Headcount	2022	Recruitment	Terminations	2023	Average
Senior managers	16	1	-3	14	15
Middle managers	26	3	-1	28	27
White collar workers	189	28	-13	204	199
Blue collar workers	14	4	-3	15	13
Total	245	36	-20	261	254

The precise headcount as at 31 December 2023 increased by 16 compared to the previous year.

Consequently, the total cost of staff has increased, the average cost per capita of work, which is equal to Euro 73 thousand, remained in line with that of the previous year, equal to Euro 74 thousand.

3.33 Amortisation, depreciation, and provisions

A breakdown of "Amortisation, depreciation and other provisions" is provided below for the financial years ended 31 December 2023 and 2022.

Amortisation, depreciation, and provisions	2023	2022	Change	% change
Intangible assets	8,271	8,373	(103)	-1%
Property, plant and equipment	3,824	3,686	138	4%
Total amortisation/depreciation	12,095	12,059	36	0%
Provisions for liabilities	332	425	(93)	-22%
Total provisions	332	425	(93)	-22%
Total	12,427	12,484	(57)	0%

Depreciation and amortisation of property, plant and equipment and intangible assets reflect the normal obsolescence process over the useful life.

The item "Provisions for liabilities" includes the accrual relating to the increase in the provision for personnel-related risks.

Financial income and expenses

3.34 Income from equity investments

A breakdown of "Income from equity investments" is provided below for the financial years ended 31 December 2023 and 2022.

Income from equity investments	2023	2022	Change	% change
Income from subsidiaries				
V-Reti SpA	14,257	16,615	(2,358)	-14%
AGSM AIM Calore Srl	12,950	-	12,950	0%
AGSM AIM Power Srl	17,212	980	16,232	1656%
AGSM AIM Smart Solutions Srl	2,428	4,400	(1,972)	-45%
AGSM AIM Energia SpA	15,720	7,889	7,831	99%
Valore Ambiente Srl	1,260	-	1,260	0%
Minority interests	254	-	254	0%
Total income from subsidiaries	64,081	29,885	34,196	114%
Income from assets sold				
Azienda Multiservizi Igiene Ambientale	1,255	-	1,255	0%
Total income from assets sold	1,255	-	1,255	0%
Income from other companies				
Minority interests	1	9	(8)	-89%
Total income from other companies	1	9	(8)	-89%
Total	65,338	29,894	35,445	119%

The item "Income from equity investments in subsidiaries" refers to dividends received from subsidiaries and are recognised following the resolutions approving distribution passed by the Shareholders' Meetings of these Companies.

3.35 Financial income

A breakdown of "Financial Income" is provided below for the financial years ended 31 December 2023 and 2022.

Financial income	2023	2022	Change	% change
Income from subsidiaries	18,127	5,600	12,527	224%
Income from related companies	71	-	71	N/A
Interest income on bank and postal savings accounts	2,991	3	2,989	101673%
Other interest income	193	193	-	0%
Total	21,382	5,795	15,587	269%

Income from subsidiaries derives from interest income accrued on loans granted to subsidiaries, including the Group cash pooling, and mainly refers to interest accrued from AGSM AIM Energia Spa for Euro 12,250 thousand, from V-Reti Spa for Euro 5.064 thousand, and from AGSM AIM Power Srl for Euro 283 thousand. More details are provided in the tables at the end of the explanatory notes.

Other interest income mainly refers to the recognition in accordance with the provisions of IFRIC 12 of the Verona water and sewerage service concession agreements.

3.36 Financial expenses

A breakdown of "Financial expenses" is provided below for the financial years ended 31 December 2023 and 2022.

Financial expenses	2023	2022	Change	% change
Expenses payable to subsidiaries	4,764	528	4,236	803%
Expenses payable to subsidiaries of parents				
Interest expenses on loans	20,288	3,551	16,737	471%
Interest expenses on current account overdrafts	2,192	2,678	(486)	-18%
Interest expenses on bonds	384	623	(238)	-38%
Bank expenses and charges	2,968	610	2,358	386%
Other interest expenses	385	203	182	89%
Expenses payable to third parties	26,218	7,666	18,552	242%
Total	30,982	8,193	22,788	278%

Interest expense payable to subsidiaries includes charges accrued on the group cash pooling account.

Other interest expenses mainly refer to the recognition in accordance with the provisions of IAS 19 of discounts and other rate subsidies and employee severance indemnities, as well as the recognition in accordance with the provisions of IFRS 16 of actual charges on lease and rental contracts.

3.37 Adjustments to financial assets

A breakdown of "Adjustments to financial assets" is provided below for the financial years ended 31 December 2023 and 2022.

Adjustments to financial assets	2023	2022	Change	% change
Revaluations				
Revaluations of equity investments	260	731	(471)	-64%
Total revaluations	260	731	(471)	-64%
Impairment				
Impairment of equity investments	-	(661)	661	100%
Total impairment	-	(661)	661	100%
Total	260	70	190	269%

The item "Revaluations of equity investments", equal to Euro 260 thousand, refers for Euro 159 thousand to the measurement with the equity method of the equity investment in the associate Consorzio GPO made on the basis of the 2023 financial statements and for Euro 101 thousand to the 2022 dividends collected from the associate.

Income taxes

3.38 Income taxes

A breakdown of "Income taxes" is provided below for the financial years ended 31 December 2022 and 2021.

Income taxes	2023	2022	Change	% change
Income from tax consolidation	(5,140)	(4,260)	(880)	21%
Deferred taxes	823	1,478	(655)	-44%
Current taxes	-	365	(365)	-100%
Previous years' taxes	-	13	(13)	-100%
Total	(4,316)	(2,039)	(2,277)	112%

The pre-tax profit amounted to Euro 38,965 thousand.

The balance of deferred tax assets and liabilities amounts to Euro 823 thousand. For the relative changes, one should refer to the attached table referred to in point 14 of Article 2427 of the Italian Civil Code.

The overall balance of taxes was negative, as it consisted mainly of income from tax consolidation.

The table below shows the reconciliation between the theoretical and effective tax expense.

	Taxable income	Income taxes
IRES reconciliation		
Pre-tax profit (loss)	40,221	
Theoretical tax charge (+24%)		9,653
Permanent deltas	995	239
Temporary deltas	(62,630)	(15,031)
Tax base	(21,415)	
Current IRES tax for the year		-
Impact of current taxes on pre-tax result		0.00%

IRAP reconciliation		
Difference between value and costs of production	(24,994)	
Costs not relevant for IRAP purposes	19,269	
Total	(5,725)	
Theoretical tax charge (+3.90)		(223)
Increases	1,828	713
Decreases	(1,229)	(479)
Tax wedge	(18,589)	(7,250)
Tax base	(23,716)	
Current IRAP taxes for the year		-

3.39 Profit from discontinued operations, net of tax effects

On 29 November 2023, the company sold its equity investment in AMIA S.p.A. to the subsidiary of the Municipality of Verona, AMIAVR S.p.A. In application of IFRS 5, realised profits were set out in the appropriate section, separately from operations in the year.

Other information

Financial instrument classes and fair value hierarchies

To complete the analyses required by IFRS 7 and IFRS 13, the types of financial instruments found in the financial statements are shown, with an indication of the valuation criteria applied and, in the case of financial instruments measured at fair value, of the exposure (Income Statement or Equity).

Fair Value Hierarchies

IFRS 7 and IFRS 13 require that financial instruments measured at fair value are classified on the basis of the quality of the sources of inputs used in determining the fair value. In particular, 3 levels of fair value are defined:

- Level 1: classified in this level are financial assets/liabilities whose fair value is determined on the basis of quoted (unmodified) prices on active markets, both Official and Over the Counter, of identical assets or liabilities;
- Level 2: classified in this level are financial assets/liabilities whose fair value is determined on the basis of inputs other than the quoted prices referred to in Level 1, but which are directly or indirectly observable on the market for these assets/liabilities;
- Level 3: financial assets/liabilities whose fair value is determined on the basis of non-observable market data are classified in this level. This category includes instruments measured on the basis of internal estimates, carried out using proprietary methods based on industry best practices.

For the breakdown of assets and liabilities between the different levels of fair value, see the table below "Fair value hierarchy". Financial assets measured at fair value are level 1.

Fair value hierarchies	Notes	Original in company currency	Financial instruments measured at fair value		Financial instruments measured at amortised cost
			Income Statement	Equity	
FINANCIAL POSITION - ASSETS					
NON-CURRENT ASSETS					
Other non-current financial assets	4	35,924	-	-	35,924
Other non-current assets	6	1,284	-	-	1,284
CURRENT ASSETS					
Trade receivables	8	39,414	-	-	39,414
Current financial assets	9	175,945	-	-	175,945
Other current assets	11	41,348	-	43	41,305
Cash and cash equivalents	12	9,790	-	-	9,790
FINANCIAL POSITION - LIABILITIES					
Non-current financial liabilities	17	152,417	-	-	152,417
Other non-current liabilities	21	11,909	-	-	11,909
CURRENT LIABILITIES					
Current financial liabilities	22	290,236	-	-	290,236
Trade payables	23	20,040	-	-	20,040
Other current liabilities	25	36,671	-	-	36,671

Commitments, guarantees granted and contingent liabilities not shown in the Statement of Financial Position

The total amount of commitments, guarantees and contingent liabilities amounts to Euro 559,942 thousand and includes security deposits with third parties, guarantees provided by AGSM AIM SpA to banks for the granting of credit facilities and bank guarantees in favour of other companies of the AGSM AIM Group.

Revenue or cost items of exceptional amount or impact

There are no items to report.

Treasury shares

Pursuant to article 2428 of the Italian Civil Code, it is noted that, during the year, AGSM AIM SpA did not hold, purchase or sell treasury shares or shares or quotas of parents, including through trustees or nominees.

Remuneration of the Directors, Board of Statutory Auditors and Independent Auditors

	Period	End of office	Remuneration
Directors	01/01/2023-31/12/2023	Approval of 2023 financial statements	630
Board of Statutory Auditors	01/01/2023-31/12/2023	Approval of 2023 financial statements	205
Independent Auditors	01/01/2023-31/12/2023	Approval of 2029 financial statements	52

The fees paid to the Independent Auditors concern statutory auditing, accounting checks and auditing of separate annual accounts for the purposes of accounting unbundling, and the table of receivables and payables with respect to the shareholder Municipalities.

Name and registered office of the company preparing the consolidated financial statements

With reference to the information required by Article 2427, point 22-*quinquies* and *sexies* of the Italian Civil Code, it should be noted that as at 31 December 2023 the direct controlling entity was the Municipality of Verona, with registered office in Piazza Bra 1 - Verona; the controlling entity prepared the Consolidated Financial Statements of the largest Group to which the Company belongs and made them available at its registered office.

Management and coordination activity

The Company is not subject to unitary management and coordination.

Description of temporary differences that resulted in the recognition of deferred tax assets and liabilities

Deferred tax assets	Deferred tax assets - taxable amount	2022 Tax (a)	Adjust.	2023 Tax (b)	Accruals	2023 Tax (c)	Uses	2023 Tax (d)	Deferred tax assets - taxable amount	2023 Tax (a+b+c)
Assets area difference	2,073	497	-	-	69	17	(112)	(27)	2,030	488
Connection contributions etc.	1,749	488	4,563	519	-	-	(439)	(52)	5,873	955
Write-downs of buildings	4,370	1,219	-	-	-	-	-	-	4,370	1,219
Provision for future charges	2,063	575	-	-	-	-	-	-	2,063	575
Provision for sundry risks (personnel)	5,615	1,567	-	-	332	93	(694)	(194)	5,253	1,466
Warehouse write-downs	700	168	-	-	-	-	-	-	700	168
Depreciation of public property exceeding the tax threshold	3,083	785	(3,083)	(785)	-	-	-	-	-	-
Release of deferred income	1,134	316	326	91	-	-	(67)	(19)	1,393	389
Allowance for doubtful accounts exceeding the tax threshold	2,327	558	-	-	-	-	-	-	2,327	558
Goodwill	275	77	-	-	-	-	(27)	(8)	248	69
Prior year taxes	42	12	-	-	-	-	(21)	(6)	21	6
Tariff discounts and employee severance indemnities - IFRS	7,066	1,696	-	-	-	-	(2,694)	(647)	4,372	1,049
Credit for deferred tax assets	30,495	7,959	1,806	(175)	401	110	(4,053)	(951)	28,648	6,943
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Assets area difference	8,226	1,974	-	-	108	26	(293)	(53)	8,042	1,947
Dividends	63	15	(10)	(2)	-	-	(4)	(1)	49	12
Concess. Treviso	4,656	1,299	-	-	-	-	(582)	(162)	4,074	1,137
IFRS	147	35	-	-	-	-	-	-	147	35
Debit for deferred tax liabilities	13,092	3,324	(10)	(2)	108	26	(879)	(216)	12,311	3,131
Total effect on the income statement				173		136		(1,168)		(823)

Related-party transactions

Intercompany receivables	Trade receivables	Financial receivables	Other non-current financial assets	Sundry receivables	Total
AGSM Holding Albania Sh.A.	8	2	-	-	10
AGSM AIM Ambiente Srl	210	960	-	1,052	2,223
V-Reti SpA	11,808	108,478	-	4,591	124,877
AGSM AIM Calore Srl	1,669	10,116	-	(69)	11,715
BLUEOIL Srl	42	-	103	-	145
Consorzio Canale Camuzzoni	4	-	-	16	21
COGASPIU' Energie Srl	241	-	-	14	255
DRV Srl	6	-	-	-	6
ECO Tirana	-	391	1,227	-	1,618
AGSM AIM Power Srl	2,767	4,420	6,119	773	14,078
Parcoeolico Carpinaccio Srl	55	-	-	12	68
Parco Eolico Riparbella Srl	59	-	-	12	72
AGSM AIM Smart Solutions Srl	2,707	-	-	487	3,194
AGSM AIM Energia SpA	9,278	50,324	-	18,606	78,208
Serit	40	16	-	-	56
Società Intercomunale Ambiente Srl	1	-	-	-	1
S.I.T. Società Igiene					
Territorio Spa	331	52	2,332	172	2,887
Traneco	84	1,023	-	-	1,108
Tre V Ambiente S.r.l.	198	-	-	9	208
Valore Ambiente Srl	1,626	-	-	515	2,141
Total	31,136	175,781	9,781	26,192	242,891

Intercompany payables	Trade payables	Financial payables	Sundry payables	Total
AGSM AIM Ambiente Srl	-	-	90	90
V-Reti SpA	1,306	1	2,200	3,506
AGSM AIM Calore Srl	300	-	4,178	4,478
Consorzio Canale Camuzzoni	23	2,079	-	2,102
COGASPIU' Energie Srl	-	-	17	17
AGSM AIM Power Srl	936	-	3,936	4,872
Parcoeolico Carpinaccio Srl	38	1,405	838	2,281
Parco Eolico Riparbella Srl	85	3,545	1,084	4,714
AGSM AIM Smart Solutions Srl	124	4,030	835	4,990
AGSM AIM Energia SpA	4,542	34,210	2,583	41,335
S.I.T. Società Igiene Territorio Spa	-	-	89	89
Traneco	102	-	-	102
Tre V Ambiente S.r.l.	23	-	-	23
Valore Ambiente Srl	2,128	10,310	-	12,438
Total	9,607	55,580	15,849	81,035

Analysis of sales and intercompany services	Revenue from sales and services	Other revenue and income	Total
AGSM AIM Ambiente Srl	265	12	277
V-Reti SpA	10,337	1	10,338
AGSM AIM Calore Srl	1,627	2	1,629
Consorzio Canale Camuzzoni	6	-	6
COGASPIU' Energie Srl	285	2	286
AGSM AIM Power Srl	1,539	55	1,594
Parcoeolico Carpinaccio Srl	55	-	55
Parco Eolico Riparbella Srl	59	-	59
AGSM AIM Smart Solutions Srl	2,804	1	2,805
AGSM AIM Energia SpA	7,876	60	7,936
Serit	51	-	51
Società Intercomunale Ambiente Srl	1	1	2
S.I.T. Società Igiene Territorio Spa	248	1	249
Traneco	57	-	57
Tre V Ambiente S.r.l.	152	-	152
Valore Ambiente Srl	1,691	1	1,692
Total	27,053	135	27,188

Costs of intercompany production	Costs for raw materials	Services	Leases and rentals	Other operating costs	Total
V-Reti SpA	123	1,725	-	-	1,848
AGSM AIM Calore Srl	-	198	-	-	198
AGSM AIM Power Srl	-	388	-	-	388
AGSM AIM Smart Solutions Srl	2	453	-	-	454
AGSM AIM Energia SpA	1,344	380	-	30	1,754
S.I.T. Società Igiene Territorio Spa	-	(27)	-	-	(27)
Traneco	-	100	-	-	100
Tre V Ambiente S.r.l.	-	23	-	-	23
Valore Ambiente Srl	-	20,170	1	-	20,170
Total	1,469	23,409	1	30	24,908

Intercompany financial income and expenses	other financial income	interest and other financial expenses
AGSM AIM Ambiente Srl	8	-
V-Reti SpA	5,064	-
AGSM AIM Calore Srl	148	176
BLUEOIL Srl	8	-
Consorzio Canale Camuzzoni	-	44
ECO Tirana	43	-
AGSM AIM Power Srl	283	514
Parcoeolico Carpinaccio Srl	-	86
Parco Eolico Riparbella Srl	-	176
AGSM AIM Smart Solutions Srl	131	-
AGSM AIM Energia SpA	12,250	3,372
S.I.T. Società Igiene Territorio Spa	153	-
Traneco	40	-
Valore Ambiente Srl	-	396
Total	18,127	4,764

Transactions with related parties (companies in the AGSM AIM Group) were completed at arm's length.

Significant events after the reporting period

See the comments in the notes to the consolidated financial statements.

Proposal for allocation of profits

Dear Shareholders, in confirming that in preparing the draft Financial Statements of AGSM AIM Spa for the year ended 31 December 2023 we have complied with the provisions of the Italian Civil Code, as interpreted and supplemented by the International Financial Reporting Standards, we invite you to approve the financial report for the year consisting of the statement of financial position, the income statement, the statement of cash flows, the notes to the financial statements and the report on operations which show a profit for the year of Euro 44,536,911 thousand, with the following proposal for the allocation of the profit for the year:

- Euro 2,226,846 to the Legal reserve;
- Euro 160,000 to Revaluation of equity investments measured at equity;
- Euro 14,350,065 to the Reserve for retained earnings;
- Euro 27,800,000 to Dividends.

These financial statements, consisting of the statement of financial position, the income statement and the notes thereto, give a true and fair view of the financial position and results of operations for the year and correspond to the accounting records.

Verona, 7 May 2024

The Chairperson of the Board of Directors
Federico Testa

Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
ON THE OCCASION OF THE APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2023 DRAWN UP PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF
THE ITALIAN CIVIL CODE

To the Shareholders of AGSM-AIM S.p.A.

During the year ended 31 December 2023, we conducted our work in accordance with legal requirements and with the Rules of conduct of the Board of Statutory Auditors of unlisted companies issued by the Italian National Council of Chartered Accountants and Accounting Experts, published in December 2020 and in force since 1 January 2021. We hereby inform you of this activity and the results achieved.

The financial statements of AGSM-AIM S.p.A. as at 31/12/2023, drawn up in accordance with the Italian rules governing their preparation, which show a profit for the year in the separate financial statements of Euro 44,537 thousand, and are characterised by dividends (income from subsidiaries of Euro 64,081 compared to Euro 29,885 in the previous year) and interest (Euro 21,382 thousand compared to Euro 5,795 in the previous year) received from the subsidiaries, have been submitted for your examination. Consolidated net profit amounted to Euro 29,405 thousand compared to Euro 49,391 thousand in the previous year.

The financial statements were made available to us within the statutory period.

Since the Board of Statutory Auditors was not tasked with the statutory audit, it carried out the supervisory activities on the financial statements provided for in Rule 3.8. of the "Rules of conduct of the Board of Statutory Auditors of unlisted companies" consisting of an overall summary control aimed at verifying that the financial statements have been correctly prepared. Checks on whether the figures correspond to the accounting data is, in fact, the responsibility of the person in charge of the statutory audit.

The entity tasked with the statutory audit, BDO SpA, provided us with its report dated 22 May 2024 containing an unqualified opinion.

The report of the entity tasked with the statutory audit indicates that the financial statements as at 31/12/2023 represent in a truthful and correct manner the assets and financial position, the economic result and the cash flows of your Company and were prepared in accordance with the regulations governing their preparation.

1) Supervisory activities pursuant to Articles 2403 *et seq.* of the Italian Civil Code.

We monitored that the law and the Articles of Association are complied with, that the principles of correct management are observed and, in particular, that the organisational, administrative and accounting system adopted by the company is adequate and works properly.

We participated in the Shareholders' Meetings and the Board of Directors' meetings. As repeatedly reported in the periodic minutes of the Board of Statutory Auditors and to the chairperson of the Board of Directors during the meetings of the latter, the appropriate and full information relating to the resolutions taken, as well as on the most important transactions, by size or characteristics, performed by the company, were not always provided with adequate advance notice, not even during the meetings of the administrative body.

The shareholders are informed that this way of working makes it difficult for the Board of Statutory Auditors to implement the controls it is required to perform with respect to the correct management of the company.

We met with the Internal Audit, the Supervisory Body, whose reports we have also reviewed, and with the advisor in charge of assessing any “*residual criticalities in the post-aggregation processes and methods of attributing consultancy assignments*”. The meetings with them and their reports raised some critical issues that we reported to you at a recent Shareholders’ Meeting.

Due to what has emerged and been represented, the Board cannot guarantee

- that the organisation of the company fully respects compliance with the law, the Articles of Association and compliance with the principles of proper administration,
- that there is an adequate organisational structure and not even
- that it is equipped with an efficient system of monitoring its legality.

With the person tasked with the statutory audit we promptly exchanged data and information relevant to the performance of our supervisory activity.

We met with the Statutory Auditors of the subsidiaries and we exchanged information with them, and no relevant data and information emerged that need to be noted in this report.

We have acquired knowledge and we have monitored on the adequacy of the organisational, administrative and accounting structure and on its concrete operation also through the collection of information from the heads of the functions. We have noted certain critical issues, in particular relating to the adequacy of the organisational structures and in this regard we made our comments during the previous Shareholders’ Meeting.

On 8 March 2023, we filed complaints pursuant to Article 2409 of the Italian Civil Code, censuring the following conduct:

- The Compago transaction;
- The awarding of consultancy assignments for original work that were qualified as service contracts in order to circumvent spending limits;
- The signing of another non-binding offer for the purchase of assets, relating to a company that was later declared bankrupt;
- Difficulty in obtaining the documentation required to carry out our investigations.

At the time of the complaint, the Board of Statutory Auditors acknowledged that, during the meeting held on 07/12/2022, the meeting had already resolved on the matters that were the subject of the complaint, considering however that, with the decision of the majority shareholder not to vote in favour of the liability action, it was not necessary to convene a further meeting pursuant to Article 2406 of the Italian Civil Code. Considering also that, after three months from the Shareholders’ Meeting, the majority shareholder had not adequately investigated the issues submitted to the Shareholders’ Meeting, as it had instead proposed to do, the Statutory Auditors decided to file a petition, requesting for the measures deemed appropriate on the basis of the reported violations to be arranged or in any case adopted.

In response to these findings, after the hearing of 06/07/2023, the Court issued a Decision rejecting the petition dated 21/07/2023, considering that “*the necessary requirement of the timeliness of the reported irregularities had lapsed, without prejudice of course to the assessments that the competent and legitimate bodies may make on the exercise of any liability action relating to the reported operations*”.

The Board therefore urges the Shareholders and future Corporate Bodies, again at this juncture, according to the legal terms and procedures, to make an assessment, in their interest and that of the company, regarding the exercise of any possible actions.

During the financial year, the Board of Statutory Auditors did not issue any opinions or comments envisaged by law.

During the supervisory activity, as described above, no other significant facts emerged other than those already highlighted that need to be mentioned in this report.

2) Comments on the financial statements

According to the report of the person tasked with the statutory audit, “the financial statements provide a true and fair view of the assets and financial position as at 31/12/2023, of the economic result and cash flows for the year ended on that date in accordance with the Italian regulations governing the preparation criteria”.

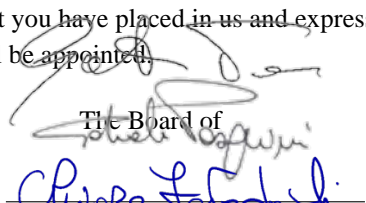
To the best of our knowledge, the directors, when preparing the financial statements, did not depart from the legal provisions of Article 2423, paragraph 5, of the Italian Civil Code.

3) Comments and proposals regarding the approval of the financial statements

Considering the results of the activity carried out by us and the opinion expressed in the audit report issued by the person tasked with the statutory audit, we did not find any reasons to prevent the approval, by the shareholders, of the financial statements for the year ended 31 December 2023 and the allocation of the profit for the year, as drawn up and proposed by the directors.

Finally, we would remind you that with the approval of the financial statements the corporate bodies will have completed their term of office, so we would like to thank you for the trust you have placed in us and express our best wishes to the company and the members of the corporate bodies who will be appointed.

Verona 22 May 2024


The Board of
Chore Saleh

AGSM AIM S.p.a.

EXCERPT

from the minutes of the resolutions, adopted by the **Shareholders' Meeting of AGSM AIM S.p.A.**, held on **12 June 2024** in Verona, at the registered office in Lungadige Galtarossa no. 8.

OMITTED

1) Financial statements as at 31 December 2023 of AGSM AIM S.p.A.: related and consequent resolutions.

Presentation of the Consolidated Financial Statements as at 31 December 2023 of the AGSM AIM Group.

2) – OMITTED –

3) – OMITTED –

4) – OMITTED –

###

In the place indicated above, **at 10:00 a.m.**, the Chairperson, Federico Testa, assumed the chairmanship of the Shareholders' Meeting, pursuant to Articles 17 and 22 of the Articles of Association, who:

noting that:

the meeting was duly convened at the registered office for today, 12 June 2024, at 10:00 a.m.;

noting that the entire share capital was represented, given the presence of:

City of Verona (Shareholder), represented by the *pro tempore* Mayor Damiano Tommasi, holder of 39,000,000 ordinary shares equal to 61.2% of the share capital;

City of Vicenza (Shareholder), represented by the *pro tempore* Mayor Giacomo Possamai, holder of 24,725,490 ordinary shares equal to 38.8% of the share capital;

having ascertained that all the members of the Board of Directors participate in the persons, in addition to themselves, of:

Gianfranco Vivian, Vice Chairperson, present in person;

Stefano Quaglino, Chief Executive Officer, present in person;

Angela Broglia, Director, present in person;

Anna Massaro, Director, present in person;

Fabio Sebastiano, Director, present in person;

having ascertained that all the members of the Board of Statutory Auditors participate:

Gaetano Terrin, Chairperson, present in person;

Gabriele Pasquini, Statutory Auditor, present in person;

Chiara Zantedeschi, Statutory Auditor, present in person;

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declared the Meeting duly constituted and able to resolve on the items on the agenda.

At the express request of the City of Vicenza (Shareholder), the Director with proxy Alessandro Marchetti was present.

The Chairperson acknowledged the presence of lawyer Daniela Ambrosi, who, with the consent of the Shareholders' Meeting, was called to perform the functions of secretary, and opened the meeting.

He also acknowledged that he had invited Stefano Masetti, Director of Administration and Finance, to participate in the meeting.

OMITTED

1. Financial statements as at 31 December 2023 of AGSM AIM S.p.A.: related and consequent resolutions.

Presentation of the Consolidated Financial Statements as at 31 December 2023 of the AGSM AIM Group.

With reference to the **first item on the agenda** "*Financial statements as at 31 December 2023 of AGSM AIM S.p.A.: related and consequent resolutions. Presentation of the Consolidated Financial Statements as at 31 December 2023 of the AGSM AIM Group*", the Chairperson explained that the financial statements of AGSM AIM S.p.A. and the consolidated financial statements of the AGSM AIM Group are presented to the Shareholders' Meeting; the documents are drawn up in accordance with international accounting standards (IAS/IFRS) and are included in the **2023 Annual Financial Report** (filed document) consisting of:

AGSM AIM Consolidated Financial Statements;
AGSM AIM S.p.A. Separate Financial Statements

The Chief Executive Officer Stefano Quaglino was invited to the presentation.

– OMITTED –

After the presentation, the Chairperson, given that all the documentation had been sent to the Shareholders, exempted from reading the Report on Operations, read the proposals of the Board of Directors to the Shareholders' Meeting, which were as follows: "*Dear Shareholders, in confirming that in preparing the draft Financial Statements of AGSM AIM Spa for the year ended 31 December 2023 we have complied with the provisions of the Italian Civil Code, as interpreted and supplemented by the International Financial Reporting Standards, we invite you to approve the financial report for the year consisting of the statement of financial position, the income statement, the statement of*

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cash flows, the notes to the financial statements and the report on operations which show a profit for the year of Euro 44,536,911, with the following proposal for the allocation of the profit for the year:

Euro 2,226,846 to the Legal reserve;

Euro 160,000 to Revaluation of equity investments measured at equity;

Euro 14,350,065 to the Retained earnings reserve;

Euro 27,800,000 as Dividends."

Therefore, the Chairperson pointed out that both the Report of the Board of Statutory Auditors dated 22 May 2024 and the Report of the Independent Auditors BDO Italia S.p.A. dated 22 May 2024 (both reports filed) were sent with the financial statements.

He read the conclusions of the BDO Report and then gave the floor to the Chairperson of the Board of Statutory Auditors.

The Independent Auditors BDO Italia S.p.A. concludes as follows:

"We have carried out the procedures indicated in the auditing principle (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations and the specific section on corporate governance referred to in paragraph 2, letter b) of Article 123-bis of Legislative Decree 58/1998 with the financial statements of AGSM AIM S.p.A. as at 31 December 2023 and on their compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the Report on Operations and the specific section on corporate governance referred to above are consistent with the financial statements as at 31 December 2023 of AGSM AIM S.p.A. and are drawn up in accordance with the law.

With reference to the declaration referred to in Article 14, paragraph 2, letter e) of Legislative Decree 39/2010, issued on the basis of the knowledge and understanding of the company and its context acquired during the audit, we have nothing to report".

Therefore, the Chairperson gave the floor to the Board of Statutory Auditors.

The Chairperson of the Board of Statutory Auditors, Gaetano Terrin, addressing the Shareholders, pointed out that he believed that they had received the Board's document and, therefore, he would limit himself to reading the conclusion, unless they preferred him to read it in full:

"there are no reasons to prevent the shareholders from approving the financial statements for the year ended 31 December 2023 and allocating the profit for the year, as proposed by the directors".

At this point, the Chairperson highlighted that he, Vice Chairperson Gianfranco Vivian and Director Angela Broglia had signed a note ("Statement in the minutes of Chairperson Federico Testa, Vice Chairperson Gianfranco Vivian and Director Angela Broglia", 12 June 2024) to be read out in the Shareholders' Meeting, so that it could be recorded in the relevant minutes and filed.

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He read the text below.

"AGSM AIM S.p.A. – Shareholders' Meeting of 12 June 2024

Statement in the minutes by Chairperson Federico Testa, Vice Chairperson Gianfranco Vivian and Director Angela Broglia

Dear Shareholders,
the undersigned
Federico Testa, Chairperson of the Board of Directors,
Gianfranco Vivian, Vice Chairperson of the Board of Directors,
Angela Broglia, Director,
in view of the "Report of the Board of Statutory Auditors to the Shareholders' Meeting on the occasion of the approval of the financial statements for the year ended 31 December 2023 drawn up pursuant to Article 2429, paragraph 2, of the Italian Civil Code" dated 22 May 2024, note the following.
On 12 January 2024, the Chairperson of the Board of Statutory Auditors sent the Board of Directors a copy of the minutes of the "AGSM AIM Board of Statutory Auditors' Audit of 10.1.2024" (Audit report).
In these Minutes, the Board of Statutory Auditors reports a series of observations that it deems should be made to the Board of Directors and the Shareholders, and concludes that (as stated in the aforementioned minutes) "the minutes are sent to the Directors requesting the structure to confirm a useful date for calling the Shareholders' Meeting. In particular, the Board of Statutory Auditors believes that shareholders should be informed of the above, preferring - for intuitive reasons - that such information not be brought from the Board of Statutory Auditors' Report to the Financial Statements and/or the meeting on the financial statements. The Auditors trust that this will be appreciated".
Therefore, the disclosure on the audit report of the Board of Statutory Auditors was included on the agenda of the Shareholders' Meeting convened on 24 April 2024 (ordinary part).
The Shareholders' Meeting was regularly held. In view of the same, the Board of Statutory Auditors sent another report ("Report of the Board of Statutory Auditors to the Shareholders of the Company AGSM AIM S.p.A. Shareholders' Meeting 24 April 2024"), which, as soon as it was received, was sent to the Shareholders as was the audit report.
During the Shareholders' Meeting, statutory auditor Gabriele Pasquini, introducing his speech and addressing the shareholders, pointed out that "the Board of Statutory Auditors requested a Shareholders' Meeting to be called in order to be able to report on some facts, so as not to overload the report to the Shareholders' Meeting on the financial statements, which could be given a different kind of publicity, and to allow for documented reading"; he then read out the introduction, summary and conclusions of the last report sent.
Again during the Shareholders' Meeting, some members of the Board of Directors also intervened to present their considerations and highlight to the Shareholders

that the Board of Directors had already taken action, in turn indicating the necessary interventions and gradually remedying the issues that are typical of a situation of progressive aggregation between two separate entities.

Despite all this and contrary to what it had written and declared, the Board of Statutory Auditors, in the Report to the Shareholders (the Report), wrote:

"Due to what has emerged and been represented, the Board cannot guarantee that the organisation of the company fully respects compliance with the law, the Articles of Association and compliance with the principles of proper administration,

that there is an adequate organisational structure and not even that it is equipped with an efficient system of monitoring its legality".

In addition, in the "Observations of the Board of Statutory Auditors on the Additional Report of the Audit Firm made pursuant to Article 11 of Reg. EU 537 of 16 April 2014" (the Observations), dated 22 May 2024, the Board of Statutory Auditors wrote that "in significant matters and other issues arising from the statutory audit in internal control and compliance with laws and regulations (Article 11 paragraph 2 letters j and k) of Regulation (EU) 537/2014) the Auditor recalled what the Board itself reported and denounced with an appeal pursuant to Article 2409 of the Italian Civil Code".

With respect to the latter statement, it should be noted that in the Additional Report of BDO of 22 May 2024, the Auditor does not refer – as erroneously stated by the Board of Statutory Auditors – to what was reported and denounced by the Board of Statutory Auditors itself with an appeal pursuant to Article 2409 of the Italian Civil Code; in fact, in this Additional Report, it is written that "on the basis of the activities carried out for the purpose of auditing the financial statements, no cases of actual or presumed non-compliance with laws or regulations or statutory provisions have been detected".

However, the independent auditor BDO in the Additional Report of 2023, merely "notes" that the Board of Statutory Auditors has filed an appeal pursuant to Article 2409 of the Italian Civil Code against the directors of AGSM AIM S.p.A., something completely different from stating, as the Board does, that "the Auditor recalled what was reported and denounced by the Board itself with an appeal pursuant to Article 2409 of the Italian Civil Code", so as to intentionally - and incorrectly - imply that BDO had shared what the Board of Statutory Auditors had done.

In view of all this, the undersigned Directors feel it is their duty to point out to the Shareholders the prejudicial and instrumental attitude of the Board of Statutory Auditors, held in particular since the autumn of 2022 and even more so after the rejection, by the Court of Venice, of the appeal pursuant to Article 2409 of the Italian Civil Code.

Proof of this comes also from the Reports, pursuant to Article 2429, paragraph 2, of the Italian Civil Code, on the financial statements as at 31 December 2023 signed by the Boards of Statutory Auditors of the so-called "strategic" subsidiaries, in which no findings are contained.

Proof of this comes also from the Reports of the independent auditors BDO Italia S.p.A. on the consolidated financial statements, the separate financial statements

as at 31 December 2023 of AGSM AIM S.p.A. and the separate financial statements as at 31 December 2023 of the subsidiaries.

Finally, this is also proven by the analysis of PWC S.p.A., to which in June 2023 the Board of Directors commissioned an "Assessment on any residual critical issues in post-aggregation processes"; some interventions and improvement suggestions are indicated in this analysis, having checked the main processes.

Given the above, the Directors must point out that the conduct of the Board of Statutory Auditors, besides being contradictory with respect to the commitments assumed (let us hold a meeting so that we do not note this in the report on the financial statements), certainly causes an unjustified discredit to the Company, which - we recall - has an important financial exposure and is negotiating with the financial institutions the issuance of a bond listed on the international markets, as you yourselves resolved during the extraordinary Shareholders' Meeting of 24 April.

The first indications of the above have already reached the company both in terms of "whether to participate" in the issue and its "cost". The harmful consequences of all this are clear.

Verona, 12 June 2024

Federico Testa
(signed)

Gianfanco Vivian
(signed)

Angela Broglia
(signed)"

– OMITTED –

The Chairperson gave the floor to the Shareholders.

The Shareholders of the Municipality of Verona and the Municipality of Vicenza declared that, having regard to the Financial Statements of AGSM AIM Spa, supported by the report of BDO, which does not report any findings, and by the report of the Board of Statutory Auditors, which is also in favour of approval, they approve the financial statements for the year 2023 and the allocation of the profit as proposed by the Board of Directors.

With reference to the other contents of the report of the Board of Statutory Auditors, they could not fail to highlight that they were recently discussed in detail at the ordinary shareholders' meeting of 24 April called for this purpose.

AGSM AIM S.p.a.

They took note of the document signed by the Chairperson of the Board of Directors, Federico Testa, the Vice Chairperson, Gianfranco Vivian and Director Angela Broglia, in the documents of the Shareholders' Meeting.

They trust that the new corporate bodies, which will be appointed today – the Board of Directors and the Board of Statutory Auditors - will make their own independent assessments of what has been summarised herein in order to be able to operate, within the scope of their respective competences and functions, in a coordinated and calm manner in the interest of the company.

The Shareholders reserved the right to verify any liability, promoting, where appropriate, suitable actions to protect the financial integrity, reputation and image of the Company itself at the competent offices.

– OMITTED –

Therefore,

THE SHAREHOLDERS' MEETING

- having read the Report on Operations;
- by unanimous vote of the Shareholders,

RESOLVED

- a) to approve the Financial Statements as at 31 December 2023 of AGSM AIM S.p.A., consisting of the Statement of Financial Position, Income Statement, Cash Flow Statement, Explanatory Notes and accompanied by the Report of the Board of Statutory Auditors and the Report of the independent auditors, which closed with a net profit of Euro 44,536,911;
- b) to approve the following allocation of the profit for the year of AGSM AIM S.p.A. equal to Euro 44,536,911:
 - - Euro 2,226,846 to the Legal reserve;
 - - Euro 160,000 to Revaluation of equity investments measured at equity;
 - - Euro 14,350,065 to the Retained earnings reserve;
 - - Euro 27,800,000.00 as dividends;
- c) taking into account the different dynamics of the use of the revenues deriving from the distribution of dividends by the public Shareholder entities, in order to allow each of them to better reconcile the availability of such revenues with their own budget plans, to establish that the payment of dividends to them will take place, in one or more instalments, either in the current financial year 2024 or in the next financial year 2025, on the basis of the payment requests that each of them will submit to the Company.

AGSM AIM S.p.a.

Having voted on the Financial Statements, the Chairperson, referring to the Consolidated Financial Statements of the AGSM AIM Group as at 31 December 2023, whose data were presented by the Chief Executive Officer, pointed out that it closed with a total consolidated net profit of Euro 29,405,000.

Please note that the consolidated financial statements are accompanied by the Report of the Independent Auditors BDO Italia S.p.A. dated 22 May 2024 (filed document).

The Shareholders' Meeting

acknowledged

the consolidated financial statements at 31 December 2023 of the AGSM AIM Group, accompanied by the Report of the Independent Auditors.

– OMITTED –

As there were no further interventions and as no one asked to speak, the Chairperson, thanking the Shareholders, declared the meeting closed at 11:10 a.m.

THE SECRETARY
(Daniela Ambrosi)
[signature]

CHAIRPERSON
(Federico Testa)
[signature]

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Report of the Independent Auditors



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37136 Verona

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
AGSM AIM S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of AGSM AIM S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2023, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including material information on the accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 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 our report.

We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. 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.

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

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Key audit matter	Audit response
<p>Valuation of investments</p> <p><i>Note 3.3 "Equity investments"</i></p> <p>The Company accounted for as at December 31, 2023 equity investments in subsidiaries, associates and others for Euro 634,787 thousand.</p> <p>Investments in subsidiaries and others are initially recognised at cost, while investments in associates are accounted using the equity method. In the event of impairment, the value of the investments is written down.</p> <p>For investments in subsidiaries that have a higher carrying amount than the corresponding fraction of Shareholders' Equity and, for other investments, whenever the presence of specific impairment indicators is detected, an impairment test is conducted.</p> <p>The recoverable value of the equity investments has been determined on the basis of the current value of the corresponding expected net cash flows attributable to the investee companies, consistent with those used for the CGU impairment test in the Consolidated Financial Statements. The same applies to the methodological approach, the basic assumptions and the discount rates adopted.</p> <p>We have focused on this matter due to the significance of its amount, the complexity of its valuation process and the assessment of related impairment and the uncertainty related to the underlying business plan.</p>	<p>Our main audit procedures performed, also with the support of evaluation models specialists belonging to the network BDO Italy, included the following:</p> <ul style="list-style-type: none"> ▪ analysis of the movements of the item during the year and examination of the most significant acquisition, sales and adjustments for impairment or revaluation; ▪ verification of the correct classification and accounting policy; ▪ identification of investments characterized by impairment indicators; ▪ obtaining the financial statements of the investments as at December 31, 2023 and the related auditors' reports; ▪ assessed the impairment test made by an expert who supported the Company's Management, for whom we assessed competence, ability and independence, in order to assess the impairment test of the carrying amount of the subsidiaries AGSM AIM Energia S.p.A., AGSM AIM Smart Solutions s.r.l., V-Reti S.p.A., AGSM AIM Power s.r.l., Valore Ambiente s.r.l.; ▪ verification of the disclosures provided in the notes to the financial statements.
<p>Valuation of assets under concession</p> <p><i>Note 3.1 "Intangible assets"</i></p> <p>The Company accounted for as at December 31, 2023 Assets under concession for Euro 59,059 thousand.</p> <p>These assets are considered to be significant for our audit due to its balance and the inherent subjectivity judgement and complexity of Company's Management process on estimation based on IFRIC12.</p> <p>The infrastructures used, recognized on the "intangible asset model" basis, have been subject to impairment test.</p>	<p>Our main audit procedures performed, also with the support of evaluation models specialists belonging to the network BDO Italy, included the following:</p> <ul style="list-style-type: none"> ▪ assessment of the adequacy of the impairment test model prepared by an expert appointed by the Company; ▪ assessment of the key assumptions used as basis of the impairment test model; ▪ assessment the mathematical accuracy of impairment test model used; ▪ verification of the disclosures provided in the notes to the financial statements.



Responsibilities of Management and the Board of statutory auditors (Collegio sindacale) for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/'05 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management is responsible for overseeing the Company's financial reporting process.

The Board of statutory auditors has the responsibility, in compliance with the applicable legislation, for the supervision of the monitoring financial reporting process of the Company.

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 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 these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Concluded on the appropriateness of Management's 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.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine 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 those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) n. 537/2014

We were initially engaged by the shareholders meeting of AGSM AIM S.p.A. on June 24, 2021 to perform the audits of the financial statements and group consolidated financial statements of each fiscal year starting from December 31, 2021 to December 31, 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) n. 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n. 537/2014, submitted to the Board of Statutory auditors.



Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10 and of article 123-bis, comma 4 of Legislative Decree n. 58/'98

Management of AGSM AIM S.p.A. is responsible for the preparation of the report on operations and of the corporate governance report, as required by comma 2, letter b) of art.123-bis of Legislative Decree n. 58/'98, of AGSM AIM S.p.A. as at December 31, 2023, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, comma 2, lett. b) of Legislative Decree n. 58/'98, with the financial statements of AGSM AIM S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of AGSM AIM S.p.A. as at December 31, 2023 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Verona, May 22, 2024

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.