Azzurra Aeroporti SpA

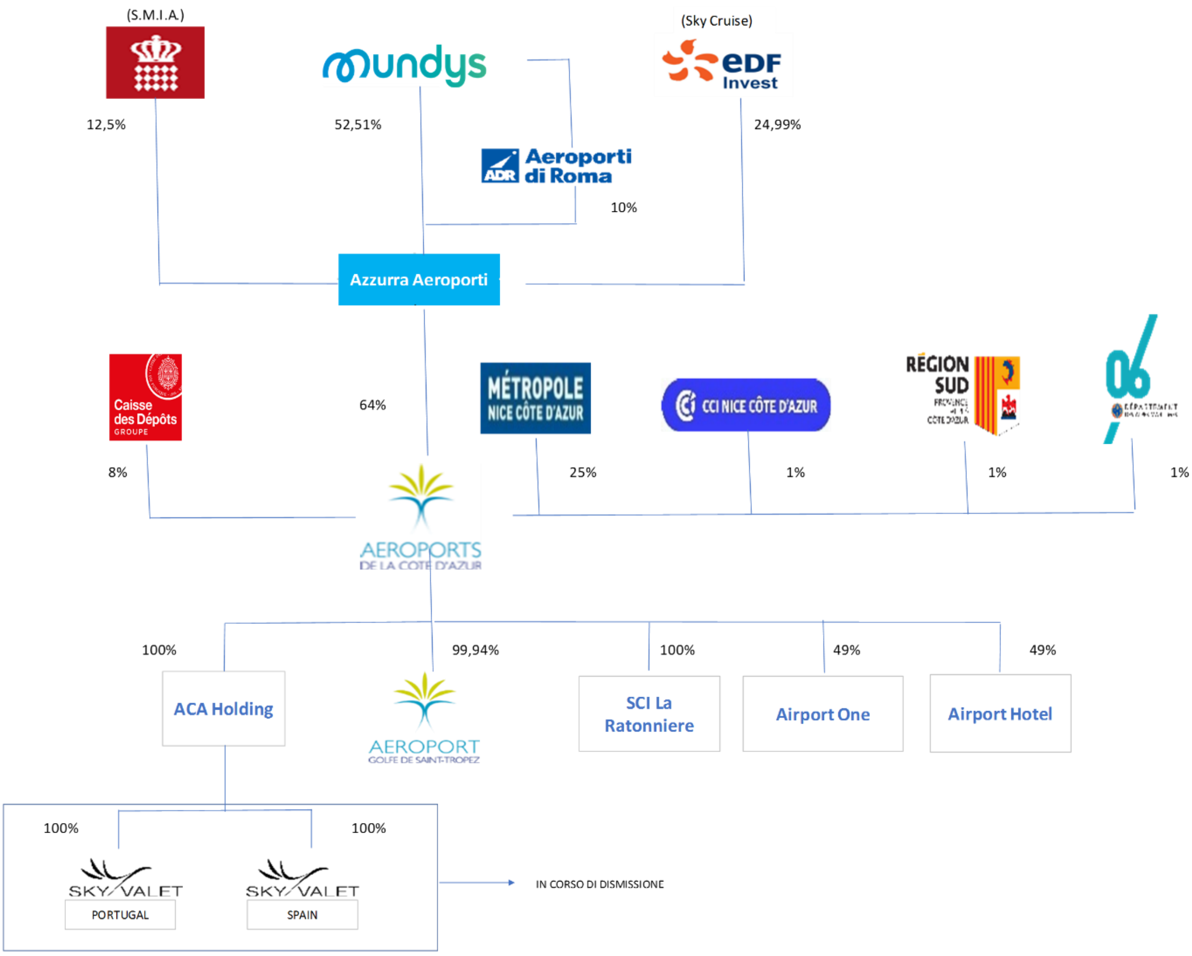
Financial statements as of and for the year ended 31 December 2023

(this page left blank intentionally)

Table of contents

(this page left blank intentionally)

1. Report on Operations



The equity interests of Azzurra Aeroporti's shareholders shown in the ownership chart are based on the voting shares held.

Azzurra Aeroporti SpA ("Azzurra Aeroporti" or the "Company") is a holding company organised under the laws of Italy, subject to the management and coordination of Mundys SpA, which has control through a direct equity investment of 52.51% and an indirect equity investment, through Aeroporti di Roma, of 10%. Sky Cruise S.a.s., a company of the EDF Group, and S.M.I.A. SA, a company owned by the Principality of Monaco, have an equity interest of 24.99% and

12.5%, respectively.

On 9 November 2016, following the award of the contract put out to tender by the French Government and the Conseil Départmental des Alpes Maritime, Azzurra Aeroporti SpA acquired 64% of Aéroports de la Côte d'Azur ("ACA"), a company operating under concession arrangements the airports of Nice Côte d'Azur and Cannes Mandelieu until 31 December 2044. ACA, in turn, exercises control over Aéroport du Golfe de Saint Tropez ("AGST"), which operates La Môle airport.

ACA also operates in the ground handling sector through its subsidiaries Sky Valet Spain and Portugal (in the process of being disposed of, as described below), and is a shareholder in Airport One, a real estate company.

In addition to Azzurra, ACA's shareholders include the Municipality of Nice, the Alpes-Côte d'Azur Regional Authority, the Chamber of Commerce for Nice and the Côte d'Azur, the Caisse des Dépôts et Consignations Français, and the Department of the Maritime Alps.

Governance bodies

Board of Directors [1]

(in office for 2023)	Chairman	Claudio De Vincenti
	Chief Executive Officer	Tiziano Ceccarani
	Executive Director	Ivan Giacoppo [2]
	Directors	Mattia Brentari
		Antoine Julien Cavaillé[3]
		Giovanni Cavallaro
		Elisabetta De Bernardi di Valserra
		Lorenzo Della Valle
		Alessio Montrella
		David Lilonel Maurice Nahoum
		Anna Palandrani
		Rèmy Rolland[4]
		Françoise Aline Vassel

Board of Statutory Auditors

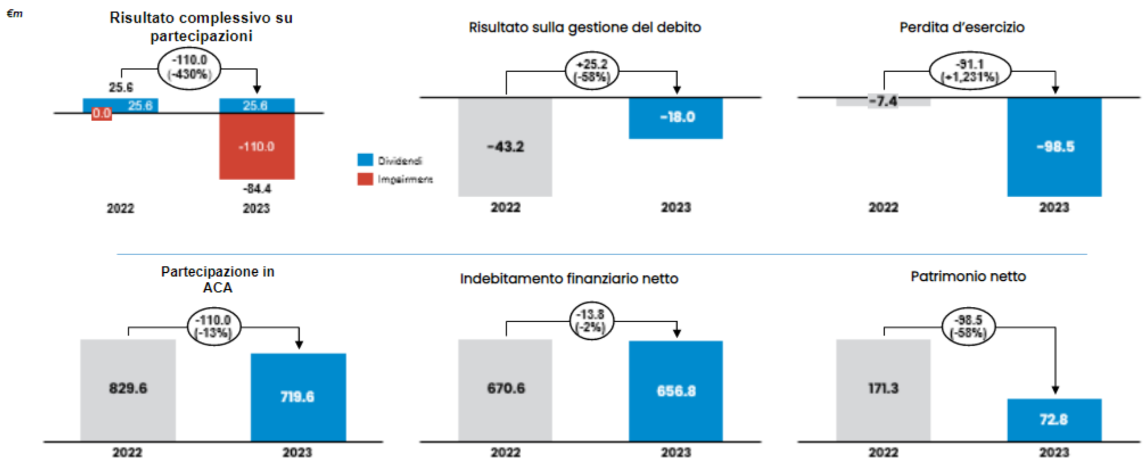
(in office for 2022-2024)	Chair	Alessia Bastiani
	Standing Auditors	Corrado Bonadeo
		Lorenzo De Angelis
	Alternate Auditors	Sara Antonelli
		Mario Francesco Anaclerio

Independent audit firm

(appointed for 2021-2023)	KPMG SpA

1 Appointed on 14 April 2023 for the year 2023
2 Executive Director for finance and treasury activities
3 Co-opted by the Board of Directors on 6 November 2023 to replace Emilio Zito
4 Co-opted by the Board of Directors on 18 July 2023 to replace Salim Zeghdar

Key operating and financial highlights



There was a deterioration in the result for 2023 compared with the previous year (a €91.1 million increase in the loss). As explained in the notes to the financial statements, the performance in 2023 mainly reflects the impairment loss on the investment in Aéroports de la Côte d'Azur (€110.0 million, determined by the significant increase in the discount rate used to test for impairment the recoverability of the carrying amount of the investment, including in relation to changes in regulatory risk) and a €6.4 million reduction in tax benefits, due to the reduction in the tax benefits contributed to the tax consolidation arrangement headed by Mundys. This was offset in part by a decrease in net financial expenses of €25.2 million, mainly due to the positive change in the fair value of non-hedging financial derivatives. Dividend income received from the subsidiary was unchanged with respect to the previous year (€25.6 million).

Overview

Azzurra Aeroporti avails itself of the right not to consolidate its accounts as per EU and Italian legislation, given that its and its subsidiaries' accounts are fully consolidated in the financial statements of the Mundys Group, as required by law, prepared and filed by the parent, Mundys, and presented in accordance with IFRS.

It should be noted that the financial statements as of and for the year ended 31 December 2023 have been prepared in accordance with the Italian laws and the accounting standards issued by Italian accounting standard setter ("OIC"), in force as of 2023 and applicable to a micro-company, given that the requirements of the Italian Civil Code are met, as described in greater detail in the notes to the financial statements.

Financial performance of Azzurra Aeroporti SpA

Azzurra Aeroporti's operating performance for 2023 is illustrated in the reclassified statement of profit or loss, which is shown below with the comparable 2022 figures.

Reclassified statement of profit or loss

€000	2023	2022	Change
Dividends from subsidiaries	25,601	25,601	-
Impairment losses/reversal of impairment losses on investm	(110,000)	-	(110,000)
Investment management result	**(84,399)**	**25,601**	**(110,000)**
Net expenses/income from derivative financial instruments	(27,818)	(27,547)	(271)
Interest and other financial expenses	9,809	(15,685)	25,494
Debt management result	**(18,009)**	**(43,232)**	**25,223**
Financial management result	**(102,408)**	**(17,631)**	**(84,777)**
Net general expenses	(411)	(486)	75
Profit (loss) before tax	**(102,819)**	**(18,117)**	**(84,702)**
Income tax	4,336	10,702	(6,366)
Profit (loss) for the period	**(98,483)**	**(7,415)**	**(91,068)**

Investment management resulted in a loss of €84,399 thousand due to the impairment of the carrying amount of the investment in the subsidiary, ACA (€110 million), partly offset by the dividends distributed by ACA, totalling €25,601 thousand.

Financial expenses exceeded financial income by €18,009 thousand, reflecting an improvement of €25,223 thousand from the previous year due to an increase in income from the fair value measurement of non-hedging derivatives (higher income of €25,494 thousand compared with 2022).

Lastly, the result for 2023 was positively affected by taxation of €4,336 thousand, of which €6,690 thousand related to the benefit provided by the parent company as a result of participation in the tax consolidation arrangement, while the remaining portion refers to the release of deferred tax assets, recovered during the year.

The net result for 2023 is a loss of €98,483 thousand, an increase of €91,068 thousand on the loss for the previous year, reflecting the above performance.

Azzura Aeroporti's financial situation is illustrated in the reclassified statement of financial position shown below and compared with amounts as of 31 December 2022.

Reclassified statement of financial position

€000	31 December 2023	31 December 2022	Change
Investments	719,633	829,633	(110,000)
Receivables and other non-financial assets	13,375	14,398	(1,023)
Payables and other non-financial liabilities	(3,357)	(2,081)	(1,276)
Net invested capital	**729,651**	**841,950**	**(112,299)**
Equity	**72,842**	**171,325**	**(98,483)**
Bonds	657,873	655,508	2,365
Bank borrowings	55	-	55
Provisions for derivative liabilities	17,631	27,440	(9,809)
Cash and cash equivalents	(18,750)	(12,323)	(6,427)
Net debt	**656,809**	**670,625**	**(13,816)**
Coverage of net invested capital	**729,651**	**841,950**	**(112,299)**

Net invested capital decreased by €112.3 million, mainly due to the decrease in the carrying amount of the subsidiary, ACA (€110 million), as a result of the recognition of an impairment loss for the year.

As of 31 December 2023, 10% of net invested capital is financed by equity (€72,842 thousand) and the remaining 90% by net debt (€656,809 thousand). The coverage of invested capital has been affected over the past few years by the gradual decrease in the value of equity investments (in relation to impairment losses recognised from 2019) and equity (cumulative losses from 2019 to 2023). In 2018, equity accounted for about 49% of net invested capital

In 2023, equity decreased by €98,483 thousand due to the loss incurred during the year.

Net debt, which amounts to €656,809 thousand as of 31 December 2023, decreased by €13,816 thousand, mainly due to the increase in cash and cash equivalents resulting from financial management during the year (€6,427 thousand), the reduction in provisions for risks and charges related to non-hedge accounting derivatives, which realised a gain of €9,809 thousand as a result of the improvement in the relative fair value. This increase can be attributed to a general decline in long-term interest rates, which positively impacted the market value of the derivatives.

Attention is called to the €360 million senior secured term loan agreement signed in November 2023, with variable interest rate, which provides for the loan to mature in May 2027 and extension options at the Company's discretion until January 2029. The draw-down is scheduled for May 2024 so that the proceeds can be used to refinance the €360 million bond maturing in the same month.

Financial performance of the Aéroports de la Côte d'Azur group

This section presents and discusses the ACA group's consolidated statement of profit or loss and the consolidated statement of cash flows for 2023, compared with amounts for the previous year, and the consolidated statement of financial position as of and for the year ended 31 December 2023 compared with amounts as of 31 December 2022. These accounts were approved by ACA's Executive Committee on 9 February 2024.

Attention is called to the fact that, in preparing the ACA group's consolidated accounts for financial year 2023 on a voluntary basis, the subsidiary's Executive Committee applied French law as well as the standards issued by the French accounting standard setter (*Comité Réglementation Comptable*), in force as of 31 December 2023.

The ACA group's operating performance for 2023 is illustrated in the reclassified consolidated statement of profit or loss, which is shown below with comparable 2022 amounts.

Consolidated statement of profit or loss(*)

€000	2023	2022	Change
Aviation revenue	301,154	264,049	37,105
Operating costs	(188,905)	(168,729)	(20,176)
EBITDA	**112,249**	**95,320**	**16,929**
EBITDA margin	*37%*	*36%*	*n.s.*
Net depreciation and amortisation	(62,164)	(57,467)	(4,697)
Operating profit	**50,085**	**37,853**	**12,232**
Operating profit margin	*17%*	*14%*	*n.s.*
Financial profit/loss	(3,463)	(5,503)	2,040
Extraordinary profit/loss	620	1,138	(518)
Income tax	(11,988)	(8,557)	(3,431)
Consolidated net income	**35,254**	**24,931**	**10,323**
Profit/loss from non-controlling interests	(889)	(1,176)	287
Net profit/loss (Group share)	**34,365**	**23,755**	**10,610**

*reclassified under French laws and GAAP

Operating revenues for the financial year 2023, amounting to €301,154 thousand, increased by €37,105 thousand, mainly due to the 17.1% year-on-year improvement in traffic, affecting both aeronautical and non-aeronautical revenues.

Operating costs for 2023, amounting to €188,905 thousand, increased by €16,929 thousand, mainly due to traffic recovery (higher costs for sub-contractors, passenger service costs, fuel purchases, etc.).

EBITDA for the year, amounting to €112,249 thousand, increased by €16,929 thousand while the EBITDA margin was unchanged at 37%.

Operating profit for 2023 amounts to €50,085 thousand, an improvement of €12,232 thousand after a €4,697 thousand increase in depreciation, amortisation and provisions.

Finally, the group's profit for 2023 is €34,365 thousand, an improvement of €10,610 thousand, due to improved operating income (€12,232 thousand), lower financial expenses (€2,040 thousand), net of extraordinary income of €518 thousand and a €3,431 thousand increase in income tax expense.

The ACA group’s consolidated financial situation as of 31 December 2023 is illustrated in the reclassified consolidated statement of financial position, showing comparable amounts as of 31 December 2022.

Consolidated statement of financial position*

€000	31 December 2023	31 December 2022	Change
Intangible assets	18,723	18,870	(147)
Property, plant and equipment (less accumulated depreciatio	360,734	338,423	22,311
Long-term investments	3,506	4,429	(923)
Fixed assets	**382,963**	**361,722**	**21,241**
Inventories	1,777	1,735	42
Trade and other receivables	28,689	25,261	3,428
Other receivables and adjustment accounts	88,452	76,268	12,184
Cash and cash equivalents	85,649	107,285	(21,636)
Current assets	**204,567**	**210,549**	**(5,982)**
Total assets	**587,530**	**572,271**	**15,259**
Equity	**124,894**	**130,692**	**(5,798)**
Provisions	**6,504**	**6,428**	**76**
Loans and various debt	297,116	299,610	(2,494)
Trade and other payables	23,732	19,535	4,197
Other payables, deferred income and accrued expenses	135,284	116,003	19,281
Payables	**456,132**	**435,149**	**20,983**
Total liabilities and equity	**587,530**	**572,271**	**15,259**

* reclassified from ACA's consolidated accounts prepared under the basis of French laws and GAAP

As of 31 December 2023, non-current assets, which amount to €382,963 thousand, have increased by €21,241 thousand mainly as a result of investment in property, plant and equipment during the year (net of depreciation for the year). Investment in 2023, amounting to €83 million, mainly relates to the cost of work on the expansion of Nice Airport's Terminal 2 (€34 million), maintenance works on existing facilities (€21 million), and other investment in projects related to sustainability (€5 million) and safety (€5 million).

Current assets, amounting to €204,567 thousand as of 31 December 2023, are down €5,982 thousand, mainly due to a decrease in cash and cash equivalents (€21,636 thousand), partially offset by an increase in trade receivables (€3,428 thousand) and other receivables, accrued income and prepaid expenses (€12,184 thousand).

The group’s equity amounts to €124,894 thousand as of 31 December 2023, a reduction of €5,798 thousand mainly due to the combined effect of dividends paid during the year (€40,002 thousand) and profit for the year (€34,365 thousand).

Total payables, amounting to €456,132 thousand as of 31 December 2023, have increased by €20,983 thousand, mainly due to the increase in amounts due in tax and social security contributions (€8,242 thousand) and payables relating to the purchase of fixed assets (€11,448 thousand).

Details of the changes in the cash position of the ACA group, as set against the comparable year-earlier figures, is shown in the consolidated statement of cash flows below.

Statement of cash flows*

€000	2023	2022	Change
Consolidated net profit	35,253	24,931	10,322
Amortisation/depreciation	60,793	57,252	3,541
Variation in deferred taxes	(1,394)	1,271	(2,665)
Capital gains or losses from sale of assets	635	434	201
Self-financing gross margin for consolidated companies	**95,287**	**83,888**	**11,399**
Effect of change in working capital requirement linked to activity	(2,393)	19,733	(22,126)
Net cash flow generated by operating activity	**92,894**	**103,621**	**- 10,727**
Purchase of property, plant and equipment	(85,474)	(49,221)	(36,253)
Payables due to purchase of property, plant and equipment	11,569	4,622	6,947
Other changes	1,507	(3,992)	5,499
Net cash flow linked to investment transactions	**(72,398)**	**(48,591)**	**(23,807)**
Dividends paid to parent company shareholders	(40,002)	(40,187)	185
Bank loans	22,028	42,285	(20,257)
Repayments of bank borrowings	(24,521)	(88,884)	64,363
Investment grants received and other changes	363	634	(271)
Net cash flow linked to financing transactions	**(42,132)**	**(86,152)**	**44,020**
Change in cash flow	**(21,636)**	**(31,123)**	**9,487**
Cash - opening balance	**107,285**	**138,408**	**(31,123)**
Cash - closing balance	**85,649**	**107,285**	**(21,636)**

* prepared under French laws and GAAP

Cash inflows from operating activities amount to €92,894 thousand, mainly due to the consolidated profit (€34,364 thousand), as adjusted by the non-monetary effects of amortisation, depreciation and provisions (€60,793 thousand) and the changes in deferred taxes (€1,394 thousand) and in working capital (an outflow of €2,393 thousand).

Cash outflows for investing activities amount to €72,398 thousand, mainly due to investment in airport property, plant and equipment (€85,474 thousand).

Cash outflows for financing activities amount to €42,132 thousand, mainly due to the repayment of loans (€24,521 thousand) and the payment of dividends in 2022 (€40,002 thousand), after the increase in bank loans (€22,028 thousand). Accordingly, cash and cash equivalents at the end of the year amounted to €85,649 thousand, down €21,636 thousand compared with cash and cash equivalents at the beginning of the year.

Risk monitoring

On 23 September 2020, the Board of Directors of the Company adopted the Enterprise Risk Management Policy of the Mundys Group and requested that it be transmitted to the subsidiary, ACA, for its adoption (approval by ACA's Board of Directors dated 26 October 2020). The Policy, which is consistent with best Risk Management practices (COSO ERM framework), aims to disseminate the reference principles and guidelines for the Enterprise Risk Management process, in order to ensure the development of an adequate risk management culture, to support the achievement of the strategic, operational and sustainable development objectives of the Group and each company. Moreover, on 4 November 2021, the Company's Board of Directors approved the Mundys Group's Financial Risk Management Policy, which, in line with the Enterprise Risk Management Policy, was transmitted to ACA. The adoption by the subsidiary took place on 21 March 2022.

A central role in the Enterprise Risk Management process is attributed to each individual Group Company's Board of Directors, to ensure that the main risks to which each organisation is exposed in conducting its business are correctly identified, assessed, managed and constantly monitored in order to verify their alignment with the established risk appetite.

The main areas of risk for Azzurra Aeroporti are as follows:

1. Strategic risks related to its nature as a holding company (which depends on the performance of the value of assets in the portfolio);
2. Financial risks, which include liquidity risk, debt covenant compliance risk, rating risk and interest rate risk, and the related hedging strategies through derivative instruments;
3. Compliance risk.

Strategic risks

Azzurra Aeroporti is a holding company whose core business is the management of the investment in ACA, the airport concession operator.

The operating and financial results, especially the equity interest held in ACA, are therefore affected by the performance of the business of this subsidiary. This business could also be exposed to a multitude of factors including macroeconomic trends, changes in the legislative and regulatory environment, global/local crises (e.g., financial, health, etc.), and climate change-related events.

In particular, with regard to legislative and regulatory risk, ACA has been adversely affected in recent years by effects in these areas (represented mainly by: traffic restrictions resulting from the Covid-19 pandemic, revision by the regulator of the tariffs applied to users, changes in tax regulations), with consequent repercussions on the investment held by the Company, which constantly monitors developments in the aforementioned risks and acts to mitigate their effects.

Financial risks

Liquidity risk

Liquidity risk arises from a lack of, inadequate or untimely ability to meet financial requirements, such as payment of interest on borrowings, early repayment or refinancing of debt, with available liquidity coming under pressure.

In line with the Mundys Group's Financial Risk Management Policy, in November 2023 the Company obtained a €360 million senior secured term loan, maturing in May 2027 and extension options at the Company's discretion until January 2029. The loan will be disbursed by May 2024 for the purpose of refinancing the €360 million bonds maturing in the same month. Azzurra Aeroporti's next debt maturity relates to the €300 million bond falling due on 30 May 2027.

The Company constantly monitors the market, including through discussions with various banking counterparties, to identify opportunities or attractive time windows to refinance its maturing debt as needed.

Debt covenant compliance risk

Debt covenant compliance risk is associated with a lack of, inadequate or untimely assessment of the ability to comply with covenants and other contractual obligations when entering into commitments or when managing them, resulting in non-disbursement, early repayment and/or operational restrictions.
The main objectives pursued are the following:

1) to prevent the risk of credit rejection, early repayment and/or operational restrictions;

2) to prevent possible negative impacts arising from loan agreements.

Both the bonds issued in 2020 and the term loan agreement entered into in 2023 provide for compliance with a minimum Interest Coverage Ratio and a maximum Leverage Ratio (calculated at the aggregate level with ACA). For the purposes of the default test, these ratios will be verified starting from December 2022 and December 2023, respectively, and calculated as of 30 June and 31 December of every financial year. The Company periodically monitors the developments of these covenants and, as of 31 December 2023, they have all been complied with.

Rating risk

Rating risk is related to the risk of a downgrade of the credit rating assigned to the Company's bonds. The Company periodically monitors the evolution of credit metrics and other variables that have an impact on the ratings agencies' analyses.

The notes' rating is currently Ba1, with an outlook improved in November 2022 by Moody's from negative to stable, as confirmed by the rating agency's credit opinion in February 2024, reflecting the expectation that the recovery in airport traffic will enable the Azzurra Group to improve its operational and financial performance. During 2023, Moody's assigned, and confirmed in a credit note in February 2024, an ESG Credit Impact Score of 3 out of 5 (moderately negative) to Azzurra Aeroporti, in light of certain risk considerations partly attributable to the peculiarities of the air transport sector. These predominantly relate to commitments relating to the decarbonization process and its impact, and the physical risks to infrastructure from climate change.

Interest rate risk management

Interest rate risk arises from the failed, inadequate or untimely implementation of a hedge against changes in interest rates, with impacts on the level of financial expenses, on the company's profit and on the value of financial assets and liabilities. The strategy followed for this type of risk is intended to mitigate interest rate risk through access, preferably, to fixed-rate or hedged funding, the management of the portfolio of hedging derivative instruments and the optimisation of the cost of debt.
As of 31 December 2023, the Company has a portfolio of Interest Rate Swaps (IRS) in place with a positive market value of €48,945 thousand, some of which are forward starting. As described in greater detail in the notes, at the balance sheet date, the positive market value of cash flow hedges, amounting to €54,937 thousand, is not reported in the financial statements, as there is no requirement to do so under the law, as interpreted also in light of the accounting standards issued by the OIC, the Italian accounting standard setter. The negative fair value of derivatives that do not qualify as hedges is recognised instead in provisions, pursuant to OIC 31.

Compliance risks

In the context of its activities, Azzurra Aeroporti is subject to risks connected with violations of rules and regulations that expose it to administrative and other penalties by the competent authorities, financial losses and negative impacts on its reputation. To mitigate these risks, Azzurra Aeroporti has adopted a Code of Ethics as well as specific policies and rules of conduct. Moreover, it periodically updates its Organisational, Management and Control model (pursuant to Legislative Decree 231/01).

Risk management and mitigation are in line with the Mundys Group's Enterprise Risk Management framework, which includes specific controls within each subsidiary.

Significant events in 2023

Azzurra Aeroporti

Dividend from Aéroports de la Côte d'Azur (ACA)

On 22 March 2023, the Shareholders' Meeting of the subsidiary Aéroports de la Côte d'Azur (ACA), approved the company's financial statements as of and for the year ended 31 December 2022, with a total dividend distribution of €40.1 million (Azzurra's share €25.6 million), which Azzurra collected in two instalments, in mid-May and in November 2023.

Tax consolidation arrangement with Mundys

Under the tax consolidation arrangement, on 28 June 2023 Mundys paid Azzurra €6.9 million as a benefit on the previous year's share of tax losses and interest.

Tax strategy

During 2023, Azzurra Aeroporti approved an updated version of the Tax Strategy, aligned with that of the parent company, Mundys.

The Tax Strategy sets out the principles and objectives adopted for tax management and represents the Board of Directors' commitment to a responsible and fair approach to taxation.

The new version confirms the general principles and objectives already laid down in the original version, which was approved in 2020, and includes a limited revision of the wording in line with developments in OECD regulations and the ESG taxonomy.

Loan agreement

As previously indicated, in November 2023 the Company entered into a €360 million senior secured term loan agreement with a syndicate of international banks. The loan will mature in May 2027, and may be extended until January 2029 at the Company's discretion. It will be disbursed by May 2024 to refinance bonds worth €360 million maturing in the same month.

Shareholders’ Debt Service Reserve Guarantee

Pursuant to existing agreements, the shareholders are required to provide a 6-month Debt Service Reserve Guarantee or "DSRG" in the interests of the Company, for the benefit of the bondholders and the counterparties to the derivative financial instruments. In September 2023, the following were renewed: (i) the corporate guarantee provided by EDF, amounting to €3.1 million, and (ii) the guarantee provided by Mundys through a bank guarantee issued by BNP, amounting to €9.4 million. Both guarantees are due to expire on 30 November 2024, with an obligation to extend or pay within 60 days of expiry.

Aéroports de la Côte d’Azur

Significant regulatory events

During 2016, as part of the privatisation process, the French Directorate General of the Civil Aviation (DGAC) and ACA agreed on the general principles underlying a five-year framework concession agreement (CRE terms and conditions). The agreement laid down the general governing principles (including the “dual till” system) and the tariffs to be applied for the period 2017-2021, in a spirit of long-term tariff stability, duly assessed by Mundys in the tendering process. Based on these principles, a consortium led by Mundys acquired a 64% equity interest in ACA from the State on 9 November 2016, for a total of €1.3 billion.

Pending the formalisation of the CRE, ACA made no request to adjust the tariffs, which remained unchanged. Despite the provisions of the agreements, the CRE was never finalised.

On 14 July 2018, the French Ministry of Transport published a first decree establishing (i) the scope of regulated and non-regulated activities (i.e., Dual till) and (ii) a "price cap" tariff adjustment mechanism linked to inflation. ACA then filed, in compliance with the provisions of the decree, its tariff request for the period 2018 – 2019, proposing an average tariff reduction of 0.65%.

On 21 January 2019, the Independent Supervisory Authority (ISA) rejected ACA's proposal and unilaterally determined the tariffs as of 15 May 2019 with an average reduction of 33.4%. While acknowledging ACA's rights to higher tariffs, the ISA justified the tariff reduction by stating, among other things, that the new tariff levels would have to be compared with those theoretically applicable under the single till model in force prior to 2018 and that a return to adequate tariff levels would take place over a longer time frame.

ACA challenged the ISA's decision before the French Council of State, arguing that the new tariff levels would not allow for a fair return on the capital invested in regulated activities; however, the Council of State on 31 December 2019 rejected ACA's request, confirmed the tariff reduction and declared the partial invalidity of the 2018 decree regarding the tariff adjustment mechanism.

On 3 February 2020, following the Council of State's decision, the Ministry of Transport issued a new decree that confirmed the "dual till" regulation system for the entire duration of the concession and expressly excluded any contribution of non-regulated activities in determining the regulated tariff.

In March 2020, the Covid-19 pandemic started to cause a major downturn in traffic. ACA submitted a new tariff request for the period 2020-2021 asking for an average 13% increase to start to re-establish a fair return on regulated assets. On 30 July 2020, the new French regulator, ART, rejected ACA's request and stated that a principle of “moderation” should apply to the annual rise in tariffs and therefore approved a limited 3% increase. The same approach was also applied to other French airports.

After this decision by ART, on 29 July 2021 the Authority approved ACA's request for a tariff increase of 3.2% as of 1 November 2021. On 15 September 2022, ART authorised a tariff increase of 4.4% from 1 November 2022.

In July 2023, ACA submitted a request for a 4.9% tariff increase as of 1 November 2023, which was authorised by ART on 29 August 2023. The new tariffs are therefore effective from 1 November.

The following table shows changes in the tariff since 2017:

	2017	2018	2019	2020	2021	2022	2023
Tariff review (%)	0.0%	0.0%	-33.4%	+3.0%	+3.2%	+4.4%	+4.9%

With this increase "moderation" principle, the period of time needed to return to adequate tariff levels will be even longer than previously estimated when ART revised tariffs unilaterally. ACA will consider the most appropriate measures to restore a fair return on regulated assets.

In response to the new long-distance infrastructure tax, introduced into French law during 2023 as explained below, in early 2024 ACA convened a new consultation process with its users and subsequently sent a request to ART for approval of a new tariff increase.

Covid rebalancing

Following the spread of the pandemic (Covid-19), ACA began discussions with the French Directorate General of the Civil Aviation (DGAC) in 2020 in order to reach an agreement to recover the losses incurred, mainly due to the traffic slowdown. Discussions continued in 2021 and 2022, and on February 14, 2023, ACA and DGAC initiated the conciliation procedure provided for in the concession agreement (Article 91).

The procedure was completed on 30 June 2023. Whilst not binding on the parties, the outcome allows ACA to continue negotiations with the grantor with the aim of reaching and formalising an agreement.

New tax on long-distance infrastructure operators

On 29 December 2023, the French Government approved the 2024 Budget Law. The text makes reference to a new tax on operators of long-distance transport infrastructure (including motorways and airports). The new charge would amount to 4.6% of annual revenue above €120 million. The Company is currently considering what action it should take in response.

M&A activity

ACA's Supervisory Board, which convened for an extraordinary meeting on 18 July, approved the sale of the subsidiaries, Sky Valet Spain and Sky Valet Portugal, as detailed in a proposal submitted to AZA's Board of Directors. The agreement was signed on 18 October.
At transaction closing, expected in the first half of 2024, ACA will receive €10.3 million (net of price adjustments to be calculated on the basis of the companies' accounts on the effective date of the sale). Of the sum received, €1.6 million was for 100% of SkyValet Portugal and €8.7 million

for 60% of SkyValet Spain.

For the sale of the remaining 40% stake in SkyValet Spain, ACA will receive between €0 million and €6 million, depending on the company's future EBITDA.

Other information

For the purposes of full disclosure, as required by law, it should be noted that, in 2023, Azzurra did not:

- carry out any research and development activities;
- hold treasury shares or shares or shares of parent companies;
- acquire or dispose of treasury shares or shares or interests in parent companies during the year;
- have any employees.

Events after 31 December 2023

In February 2024, Azzurra participated with ACA in the public consultation on a draft Decree aimed at revising the regulatory model applicable to certain French airports (excluding ACA), promoting the evolution towards a Hybrid Till model.

As of the date of preparation of these financial statements, we are not aware of any developments with respect to the clarifications and in-depth studies requested by Azzurra and ACA.

Outlook

Azzurra Aeroporti will continue to manage its investment in ACA – particularly supporting the subsidiary in the management of regulatory issues - and its own financial structure in accordance with the financial policy and any covenants.

Azzurra will monitor financial and operating performance, including in particular liquidity.

2. Annual report

Financial statements

Financial statements

Statement of financial position

€	31 December 2023	31 December 2022	Change
Assets	**751,758,168**	**856,354,587**	**(104,596,419)**
B) Non-current assets	**719,633,278**	**829,633,278**	**(110,000,000)**
III. Financial assets	719,633,278	829,633,278	(110,000,000)
C) Current assets	**29,672,575**	**25,847,418**	**3,825,158**
II. Receivables	10,922,344	13,524,485	(2,602,141)
IV. Cash and cash equivalents	18,750,231	12,322,933	6,427,298
D) Accrued income and prepaid expenses	**2,452,314**	873,891	1,578,423
Equity and liabilities	**751,758,168**	**856,354,587**	**(104,596,419)**
A) Equity	**72,841,844**	**171,325,021**	**(98,483,176)**
I. Share capital	3,221,234	3,221,234	-
II. Share premium reserve	167,459,540	174,874,210	(7,414,670)
IV. Legal reserve	644,247	644,247	-
VIII. Retained earnings (accumulated deficit)	-	-	-
IX. Profit (loss) for the period	(98,483,176)	(7,414,670)	(91,068,506)
B) Provisions	**17,630,992**	**27,440,337**	**(9,809,346)**
D) Payables	**658,504,251**	**655,924,515**	**2,579,737**
E) Accrued expenses and deferred income	**2,781,080**	**1,664,714**	**1,116,366**

Income statement

€	2023	2022	Change
B)			
B) Operating costs	**(410,944)**	**(485,686)**	**74,742**
7) services	(384,546)	(480,014)	95,468
14) sundry operating costs	(26,398)	(5,672)	(20,725)
Difference between value of production and operating costs	**(410,944)**	**(485,686)**	**74,742**
C)			
Financial income and expenses	**(2,217,105)**	**(1,945,773)**	**(271,332)**
15) dividends from subsidiaries	25,600,922	25,600,922	-
16) other financial income			
c) from securities in current assets	10,651,396	851,893	9,799,503
d) other than the above	23,786	97	23,689
17) interest and other financial expenses	(38,493,209)	(28,398,685)	(10,094,525)
D)			
Impairment of financial assets and liabilities	**(100,190,654)**	**(15,685,334)**	**(84,505,320)**
18) revaluation			
d) derivatives	9,809,346	-	9,809,346
19) impairment			
a) investments	(110,000,000)	-	(110,000,000)
d) derivatives	-	(15,685,334)	15,685,334
E)			
Profit (loss) before tax (A-B+/-C+/-D)	**(102,818,703)**	**(18,116,793)**	**(84,701,910)**
20) income tax for the period,	4,335,527	10,702,123	(6,366,597)
deferred tax income and expense	(2,354,243)	3,764,480	(6,118,723)
income from tax consolidation	6,689,770	6,937,643	(247,873)
21) Profit (loss) for the period	**(98,483,176)**	**(7,414,670)**	**(91,068,507)**

Statement of cash flows

€	2023	2022	Change
Cash flows from operating activities			
Profit (loss) for the period	(98,483,176)	(7,414,670)	(91,068,507)
Income tax	(4,335,527)	(10,702,123)	6,366,597
Interest expense (interest income)	27,818,027	27,546,695	271,332
(Dividends)	(25,600,922)	(25,600,922)	-
Profit (loss) for the period before income tax, interest, dividends and gains (losses) on disposals	**(100,601,598)**	**(16,171,020)**	**(84,430,578)**
Adjustments for non-monetary elements that did not have an offsetting entry in working capital			
Impairments	110,000,000	-	110,000,000
Adjustments to financial and derivative assets and liabilities that do not entail monetary movements	(9,809,346)	15,685,334	(25,494,680)
Cash inflow (outflow) before changes in working capital	**(410,943)**	**(485,685)**	**74,742**
Changes in working capital:			
(Increase) decrease of receivables	-	37	(37)
Increase (decrease) of payables	159,778	(119,350)	279,129
(increase) decrease of accrued income and prepaid	(31,094)	(6,252)	(24,843)
Cash inflow (outflow) after changes in workng capital	**(282,259)**	**(611,251)**	**328,992**
Other adjusments:			
Interest income collected (expense paid)	(25,829,032)	(25,248,454)	(580,579)
Income tax collected (paid)	6,937,668	6,728,108	209,560
Dividends collected	25,600,922	25,600,922	-
CASH INFLOW (OUTFLOW) FROM (FOR) OPERATING	**6,427,298**	**6,469,325**	**(42,027)**
CASH INFLOW (OUTFLOW) FROM (FOR) INVESTING	**-**	**-**	**-**
CASH INFLOW (OUTFLOW) FROM (FOR) FINANCING	**-**	**-**	**-**
Increase (decrrease) of cash and cash equivalents (A+B+C)	**6,427,298**	**6,469,325**	**(42,027)**
Cash and cash equivalents - opening balance	**12,322,933**	**5,853,608**	**6,469,325**
of which bank deposits	12,322,933	5,853,608	6,469,325
Cash and cash equivalents - closing balance	**18,750,231**	**12,322,933**	**6,427,298**
of which bank deposits	18,750,231	12,322,933	6,427,298

Introduction

Azzurra Aeroporti SpA is a holding company of the Mundys Group that has as its main objective the acquisition of stakes and interests in other companies and entities, the financing, also through the issue of bid bonds, endorsements and guarantees, including security interests, of the companies or entities in which it invests, and financial instrument, real estate, financial, industrial investment in Italy and abroad.

The registered office is in Rome, which during the year was moved from via Bergamini 50 to Piazza San Silvestro 8, and it has no secondary places of business. The duration of the company is set until 31 December 2050.

Although the Company placed bonds listed on the GEM market of Euronext Dublin in 2020, it did not acquire the status of issuer of financial instruments widely distributed among the public, given that as of 31 December 2023 the bondholders were less than 500 (the threshold provided for in Article 2-bis, paragraph 4 of the CONSOB's Regulations for Issuers). Consequently, the obligation to prepare the financial statements on the basis of IFRS, pursuant to Legislative Decree 38/2005, does not apply.

Basis of preparation

The financial statements as of and for the year ended 31 December 2023 have been prepared in accordance with the criteria and principles applicable under current Italian civil law and, in particular, the provisions of Articles 2423 *et seq.* of the Italian Civil Code, interpreted and supplemented by the accounting standards issued by the Italian accounting standard-setter Organismo Italiano di Contabilità (the "OIC accounting standards") as well as, where appropriate, in compliance with Article 2435-*ter* of the Italian Civil Code on micro-enterprises. However, in order to ensure that users of the financial statements are adequately informed about the Company's operating performance and financial position, as well as about the most significant transactions occurred during the year, the Company decided voluntarily to prepare the financial statements in multi-step form, as well as the Report on Operations (pursuant to Article 2448 of the Italian Civil Code, which accompanies these financial statements) and these notes.

The financial statements are prepared on a going concern basis, taking into account the operating and financial projections and available liquidity at the close of 2023, in addition to the loan agreements signed in 2023, with the proceeds due to be used to repay bonds issued by the Company and maturing in 2024. These confirm the Company's ability to service debt and meet its operating costs.

These financial statements are consistent with the accounting records and give a true and fair view of the Company's financial position, results of operations and cash flows.

The statement of financial position, statement of profit or loss and statement of cash flows present for each item, as required by law, the corresponding comparative figures from the financial statements of the previous year ended 31 December 2022, which have not been adjusted or reclassified compared with those already published.

For a complete overview of the Company's financial condition and operating results, these notes show the statement of changes in equity.

In the course of the financial year, there were no exceptional cases which made it necessary to use the derogations provided for in Article 2423, 4th paragraph, of the Civil Code.

The Company has not established separate operations or funds intended for a specific transaction.

Even though it holds direct and indirect controlling interest in other companies, the Company has not prepared the consolidated financial statements, in keeping with the right of exemption provided for by Legislative Decree 127/1991, art. 27, paragraph 3. The consolidated financial statements are in fact prepared by the direct parent company, Mundys SpA, and will be made available to the public within the time and in the manner established by law on www.mundys.com.

These financial statements were approved by the Company's Board of Directors at its meeting of 7 March 2024, and were audited by KPMG SpA, as part of the appointment of this firm as the independent auditor under article 2409-bis of the Italian Civil Code and article 14 of Legislative Decree no. 39/2010.

Accounting policies

The financial statements were prepared in accordance with the principles provided for by articles 2423 and 2423-bis of the Italian Civil Code, that is:

- the recognition and presentation of items is made taking into account the substance of the transaction, rather than just its legal form;
- only income realised at the end of the financial year is shown and costs and income were recognised regardless of the associated cash collections or disbursement;
- account has been taken of risks and losses pertaining to the financial year, even if they became known after the end of the financial year;
- any heterogeneous elements included in the individual items have been measured separately;
- in the event that it is immaterial for the purposes of a true and fair view of the Company's financial position and results of operations for the year, the recognition, measurement, presentation and disclosure requirements established by the individual provisions of the Italian Civil Code, interpreted and supplemented by the accounting standards issued by the Italian accounting standard setter (OIC), have not been taken into account. To this end, materiality applies to the extent that the omission(s) and/or incorrect measurement(s) of items, individually or in the aggregate, influence the economic decisions that users make on the basis of the financial statements.

In relation to the individual items in the financial statements, the accounting principles and policies adopted by the Company are consistent with the provisions of Article 2426 of the Italian Civil Code, interpreted and supplemented by the OIC accounting standards. These principles and policies adopted by the Company, which have not changed from those used to prepare the financial statements for the previous year, are illustrated below.

Investments

Equity investments are initially recognised at purchase or incorporation cost, including ancillary costs. Ancillary costs are costs directly attributable to the transaction, such as bank and financial brokerage costs, commissions, expenses and taxes.

The carrying amount of investments increases as a result of capital increases for consideration or the waiver of receivables owed to the Company by its subsidiaries. Capital increases by way of capitalisation of reserves do not increase the value of the investments.

In the event that the investments are impaired at the balance sheet date, their carrying amount is reduced to the lower recoverable amount, which is determined on the basis of the future benefits expected to accrue to the Company, until the carrying amount is reduced to zero, where applicable. In cases where the Company is obliged to cover the losses of its subsidiaries, it may be necessary to make provisions in the liabilities to cover the relevant portion of the losses.

If, in subsequent years, the reasons for the impairment no longer apply, the amount of the investment is reinstated up to the original cost.

Receivables

Receivables are recognised on the basis of amortised cost, taking into account the time factor.

The amortised cost method takes into account any costs directly attributable to the transaction that generated the receivable, any commissions receivable and payable and any difference between the initial value and the nominal value at maturity, using the effective interest rate. The amortised cost method does not apply to short-term receivables, which are due in less than 12 months, or where the effects are considered irrelevant.

The amount so determined is adjusted by means of any allowance for bad debts.

Payables

Payables are recognised on the basis of amortised cost, taking into account the time factor, using the effective interest rate. The amortised cost method is not applied to short-term payables, i.e., with a maturity of less than twelve months, or when the effects are considered immaterial.

Cash and cash equivalents

This item represents the positive balances of bank and post office deposits, cheques and cash on hand at the end of the financial year. Bank and post office deposits and cheques are measured at their estimated realisable value, cash and cash equivalents at their nominal value.

Provisions

Provisions, which are not directly related to specific assets, are intended to cover charges and losses of a given nature, whose existence is certain or probable, but whose amount or date of occurrence could not be determined at year-end. Provisions reflect the best possible estimate based on information available at the date of preparation of the financial statements.

In determining the provisions for risks and charges, the possible effect of discounting to present value is not taken into account, as it is not considered significant.

Costs

Costs are recognised on an accrual basis, regardless of the date of payment.

Dividends

Dividends are recognised as financial income in the financial year in which, as a result of the resolution of the shareholders' meeting of the investee company to distribute profits or reserves, the Company's right to collect them arises.

Financial income is not recognised if the investee company distributes, by way of dividend, its own shares or allocates stock dividends.

Other financial income and expenses

These are accounted for on an accrual basis.

Derivative financial instruments

Where deemed appropriate, the Company uses derivative financial instruments to hedge its exposure to the risk of changes in interest rates on its financial liabilities. In particular, plain vanilla Interest Rate Swaps ("IRS") derivative contracts are entered into, for notional amounts and maturities corresponding to those of the underlying financial liabilities, as well as forward starting IRS derivative contracts to hedge the risk of interest rate fluctuations of future financial liabilities considered highly probable.

The Company does not undertake transactions on derivative financial instruments for speculative purposes. Derivatives are considered as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, verified initially and periodically, is high.

Article 2435-ter, paragraph 2, of the Italian Civil Code provides that the rules on derivative financial instruments and hedging transactions contained in Article 2426, paragraph 1, number 11-bis, of the Italian Civil Code, interpreted and supplemented by the provisions contained in accounting standard OIC 32, are not applicable to micro-enterprises. The latter also provides that if a micro enterprise holds derivative financial instruments, where the conditions for recognition under OIC 31 are met, the company recognises a provision for risks and charges. In determining the provision, the company may refer to the guidelines for measuring a derivative contract contained in OIC 32.

Therefore, for derivative financial instruments hedging future cash flows, the financial statements do not recognise their fair value at the end of the reporting period.

On the other hand, for derivative financial instruments that do not have all the characteristics to be considered as hedges of future cash flows, the relative fair value existing at the end of the financial year is recognised in the financial statements if it is negative and considered indicative of a probable loss that will be incurred by the Company. In this case, this negative value is recognised in the provisions for risks and charges, with a balancing entry in the financial expenses of the statement of profit or loss, in line with the provisions of OIC 31 and OIC 32.

Accruals and deferrals

Accruals and deferrals are determined according to the accrual basis of accounting applied to costs and revenues that span multiple accounting periods, with their amounts varying over time.

At the end of each financial year, the conditions that determined their initial recognition are verified and, if necessary, adjustments are made. In particular, in addition to the passage of time, consideration is given to both the estimated realisable value of accrued income and the existence of future economic benefits related to prepaid expenses.

Income tax

Current taxes are recognised on the basis of the estimated taxable income in accordance with current regulations, taking into account applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the tax base and the book value of assets and liabilities. They are measured taking into account the presumable tax rate that the Company expects to incur in the year in which these differences will contribute to the formation of taxable income, considering the tax rates in force or already enacted at the balance sheet date, and are recognised respectively as “deferred tax liabilities” among provisions for risks and charges, and “deferred tax assets” in current assets.

Deferred tax assets are recognised if there is a reasonable certainty of the existence, in the years in which they will be reversed, of taxable income not lower than the amount of the tax assets that will be cancelled.

On the other hand, deferred tax liabilities are recognised on all taxable temporary differences.

With reference to IRES, the Company participates in the tax consolidation arrangement headed by the parent company, Mundys SpA, in accordance with current tax legislation.

Therefore, the latter, as consolidator, will file a tax return on the total profits generated by the Group companies participating in the arrangement, also making the related tax payments, if due. To this end, the Company sends to its parent company the necessary data and information, in view of the settlement of any amount owed.

Regarding the method used to account for the above process, the item “due from controlling companies” and “due to controlling companies” include also the funds receivable from or payable to the direct controlling shareholder, Mundys SpA, for IRES (which is entered in the statement of profit or loss under “Income tax for the period”), minus any tax credits and withholdings.

Under the tax consolidation arrangement agreed with the parent company, surpluses (i.e., tax losses, interest expense and Economic Growth AID [ACE]) are remunerated in the year of their utilisation and in proportion to the portion actually utilised.

Notes to the statement of financial position

Below, a description of the items in the statement of financial position is given. The comparative value for the previous year is indicated in brackets in the heading of the item.

Statement of financial position – Assets

B) III. Investments – Equity interests in subsidiaries

€719,633 thousand (€829,633 thousand)

This item reflects the cost incurred for the acquisition of the close to 64% interest in Aéroports de la Côte d’Azur (“ACA”, €1,303,049 thousand), net of cumulative impairments for 2023 and the previous years (€583,416 thousand).

The data for the investment, including the result for 2023 and the equity as of 31 December 2023, taken from the consolidated accounts of the ACA group, drawn up on the basis of the French GAAP, are shown in the following table.

€000

Name	Registered office	Issued capital	Value 31 December 2023	Interest held	Profit / (Loss) 2023	Equity 31 December 2023	Pro rata share of equity
Aéroports de la Côte d’Azur	Nice (France)	148	719,633	63.99%	34,365	124,894	79,920

As required by the accounting standards, at year-end, there was evidence of a potential permanent reduction in the value of the investment (based on ACA’s regulatory framework and the increase in market interest rates and the resulting impact on the Company’s cost of capital, as described in detail in the Report on Operations). The recoverability of the carrying amount of the investment in ACA was thus tested for impairment by estimating value in use. This was carried out with reference to the consolidated cash flows of ACA projected in the Company's most recent long-term plan containing operating, financial and cash flow forecasts for the remaining term of the concession (expected to expire in December 2044), which includes an assumption that compensation will be received to offset the impact of the Covid pandemic over a period of two years, on which the Company has initiated discussions with the Grantor. In estimating the metrics on which to base the discount rate used, set at 6% (including a reassessment of the risk linked to the regulatory framework), as well as the cash flows projected in the Company's long-term plan, mainly external and publicly available sources were used, supplemented, where appropriate, by estimates also based on historical data. The impairment test showed the partial recoverability of the remaining carrying amount of the investment, resulting in the recognition of an impairment loss of €110 million in the statement of profit or loss for 2023.

ACA’s shares held by Azzurra have been pledged to secure a medium/long-term loan reported under “Bonds” under liabilities.

C) II. Receivables

€10,922 thousand (€13,524 thousand)

€000	Balance 1 January 2023	Increases/ Provisions	Collections	Balance 31 December 2023
Due from parent company	6,937	6,690	(6,937)	6,690
Other tax receivables	-	-	-	-
Deferred tax assets	6,587	(2,355)	-	4,232
Sundry receivables	-	-	-	-
Receivables	**13,524**	**4,335**	**- 6,937**	**10,922**

Receivables due from the parent company, Mundys, derive from the tax consolidation arrangement of which the Company is part, which increased due to the income from tax consolidation relating to the 2023 tax loss, interest expense and the ACE benefit (total of €6,690 thousand), net of the amount collected for 2022 (€6,937 thousand).

Deferred tax assets decreased in 2023 due to the release to the statement of profit or loss of deferred tax assets on tax changes related to the income on derivative instruments recognised as provisions (€2,355 thousand).

Based on the operating and financial projections prepared by the Company, deferred tax assets as of 2023 are reasonably certain to be recoverable, considering the Company’s participation in the tax consolidation arrangement headed by the parent company, Mundys. Under this arrangement, the Company receives remuneration on the tax benefits transferred to the tax consolidation, primarily consisting of tax losses and Economic Growth AID (ACE).

Changes in deferred tax assets in 2023 are shown in the following table:

€000 Description	Taxable amount at beginning of the financial year	Taxable differences arising during the year	Taxable differences cancelled during the year	Reclassifications and other changes	Taxable differences at year-end
Tax losses before consolidated tax arrangement	4,733	-	-	-	4,733
Tax losses	-	-	-	-	-
Interest expense	-	-	-	-	-
ACE	-	-	-	-	-
Expenses from derivatives	27,440,337		(9,809,346)	-	17,630,991
Taxable income	27,445,070	-	(9,809,346)	-	17,635,724
Tax rate	24%	24%	24%	24%	24%
Total tax	6,586,817	-	(2,354,243)	-	4,232,574

C) IV. Cash and cash equivalents

€18,750 thousand (€12,323 thousand)

Current account balances at the balance sheet date rose by €6,427 thousand compared with 2022. These bank balances have been pledged to secure the medium and long-term debt entered under the item "Bonds".

D) Accrued income and prepaid expenses

€2,452 thousand (€874 thousand)

The item is mainly composed of accrued income of €2,399 thousand, which resulted from the difference between income from derivative transactions for €1,746 thousand and accessory charges of €653 thousand incurred for the new Term Loan, which will be disbursed in 2024 to refinance the bond maturing in May 2024, as described in the Report on Operations, to which reference is made.

Statement of financial position – Liabilities and equity

A) Equity

€72,842 thousand (€171,325 thousand)

Changes in equity items during 2023 are shown in the table below and are commented in the notes that follow.

€000	Issued Capital	Legal reserve	Share premium reserve shares with voting rights	Share premium reserve preference shares	Retained earnings (Accumulated losses)	Profit (loss) for the period	Total
Balance at 1 January 2022	**3,221**	**644**	**216,784**	**149,134**	**-**	**(191,044)**	**178,740**
Allocation of 2020 result			(191,044)			191,044	-
Reserve distribution							-
Result for 2022						(7,415)	(7,415)
Balance at 31 December 2023	**3,221**	**644**	**25,740**	**149,134**	**-**	**(7,415)**	**171,325**
Allocation of 2021 result			(7,415)			7,415	-
Result for 2022						(98,483)	(98,483)
Balance at 31 December 2023	**3,221**	**644**	**18,325**	**149,134**	**-**	**(98,483)**	**72,842**

A) I. Issued capital

€3,221 thousand (€3,221 thousand)

The issued capital, fully subscribed and paid in through a cash contribution, consists of 3,221,234 shares with a nominal value of 1 euro; as of 2023, it breaks down as follows:

Shareholder	Classes A and C (1) # / euro	%	Class B (2) # / euro	%	Total # / euro	%
Mundys SpA	1,312,750	41	384,658	12	1,697,408	53
Sky Cruise Sas	624,750	19			624,750	19
S.M.I.A. SA	312,500	10	336,576	10	649,076	20
Aeroporti di Roma SpA	250,000	8			250,000	8
Total	**2,500,000**	**78**	**721,234**	**22**	**3,221,234**	**100**

(1) Ordinary shares with voting rights

(2) Preference shares without voting rights

Holders of class B shares without voting rights enjoy a preference in the distribution of profits, in the reimbursement of the Company's share premium reserve and issued capital, and in capital calls to cover losses.

A) II. Share premium reserve

Voting shares: €18,325 thousand (€25,740 thousand)

Preference shares: €149,134 thousand (€149,134 thousand) [1]

At their meeting on 14 April 2023, the Shareholders resolved to cover in full the loss of €7,415

[1] The Articles of Association define this as "Class B Preference Reserve"

thousand for 2022 through the partial use, for the same amount, of the "Share premium reserve – voting shares".

A) IV. Legal reserve

€644 thousand (€644 thousand)

As of 31 December 2023, the legal reserve was equal to 20% of the issued capital, as required by the Italian Civil Code.

Use and distribution of equity items

The table below provides a detailed description of each equity item, specifying their origin, possible uses and distributability, as well as their use in the previous three years.

€000	Amount	Possible use (A, B, C)	Available amount	Summary of uses for 2020-2022 to cover losses	Summary of uses for 2020-2022 other reasons
Issued capital	3,221	B	-	-	-
Share premium reserve:					
- with voting rights	18,325	ABC	18,325	395,096	-
- preference	149,135	ABC	149,134	-	-
Legal reserve	644	B	-	-	-
Retained earnings (accumulated losses)	-	ABC	-	-	-
Profit (loss) for the period	(98,483)		-	-	-
Total	**72,842**		**167,459**	**395,096**	**-**
Non-distributable amount					
Residual non-distributable amount			**167,459**		

Key
A: for capital increases
B: to cover losses
C: for distribution to Shareholders

B) Provisions

Derivative liabilities

€17,631 thousand (€27,440 thousand)

Provisions for derivative liabilities decreased by €9,809 thousand in 2023 as a result of the fair value measurement of financial derivatives. As indicated in the section on "Accounting Policies", to which reference should be made, the fair value of cash flow hedges is not recognised in the financial statements. Therefore, only the estimated future net loss to be incurred in respect of derivatives that do not qualify for cash flow hedge accounting is recognised.

The following table summarises the derivative contracts in place as of 31 December 2023, including the information required by Article 2427-bis, paragraph 1 of the Italian Civil Code, with details of the amounts recognised in the financial statements.

€000

Name	Period	Notional	Status	Carrying amount		Fair value	
			31 December 2023	31 December 2023	31 December 2022	31 December 2023	31 December 2023
IRS 1	2016 – 2021	454.934	Unwound (1)	-	-	-	-
IRS 2	2021 – 2026	653.000	Offset (2)	-	-	29,715	53,322
IRS 3	2026 – 2024	653.000	Hedge (3)	-	-	54,937	70,077
Offset swap 2020 -2024	2020 – 2024	355.885	Offsetting (4)	(3,280)	(8,039)	(6,643)	(18,457)
Offset swap 2020 -2027	2020 – 2027	297.115	Offsetting (5)	(14,350)	(19,401)	(29,063)	(44,543)
			Total	(17,630)	(27,440)	48,946	60,399

(1) Expired in November 2021.
(2) Ineffective since 1 July 2020, the interest rate risk arising from the overlap with the bond is offset by the offset swaps.
(3) Cash flow hedge to hedge highly probable future liabilities.
Offset swaps designed to offset the interest rate risk arising from the overlap of the existing IRS 2 with the bond.

Since 2016, given the then favourable interest rate environment, the Company has utilized IRS derivative contracts to hedge against fluctuations in interest rates associated with the financial liabilities incurred to fund the acquisition of the equity investment in ACA, as well as subsequent refinancings. Over the years, additional instruments have been employed to adapt to changes in the structure of financial liabilities, including the expiration of previous contracts. In particular, in 2020, offset swap derivatives were entered into in view of the issuance of bonds.

D) Payables

€658,504 thousand (€655,925 thousand)

As of 31 December 2023, payables include bonds (€657,874 thousand), trade payables (€197 thousand), amounts due to parent companies (€317 thousand), bank borrowings (€55 thousand), tax liabilities (€19 thousand) and other payables (€43 thousand). The most significant payables are described and commented on below.

Bonds

€657,874 thousand (€655,508 thousand)

This item regards outstanding debt resulting from the issue of bonds listed on Euronext Dublin's unregulated GEM and issued in 2020. Details are shown in the following table.

€000	Balance at 31 December 2022	Nominal value	Maturity	Repayment schedule Within 12 months	Between 2 and 5 years	After 5 years
1st issue 2020	360,022	360,000	2024	360,000	-	
2nd issue 2020	297,852	300,000	2027		300,000	-
Bonds	**657,874**	**660,000**		**360,000**	**300,000**	**-**

The reported balance includes interest expense accrued on the bonds as of 31 December 2023 and not yet paid.

The first tranche of the above bonds, amounting to €360 million, is due for repayment in May 2024. As described in the Report on Operations, to enable it to meet this obligation the Company obtained a senior secured bank term loan of the same amount in November 2023, with variable interest rate. The term loan matures in May 2027, but may be extended until January 2029 at the Company's discretion.

In common with the outstanding bonds, the related loan agreement requires the Company to comply with covenants, represented by a minimum threshold for the Interest Coverage Ratio and a maximum threshold for the Consolidated Leverage Ratio. As of 31 December 2023, the related default thresholds, which if not complied would trigger the obligation to effect early repayment of the loan, have all been complied with. Instead, the lock-up provision triggered when the Consolidated Leverage Ratio is exceeded, remains active. This prohibits the Company from paying dividends to shareholders until the following test date.

In addition, pledges and guarantees are in place against the obligations arising from the debt, for the benefit of the lenders, as reported in the specific note.

Trade payables

€197 thousand (€112 thousand)

This item reflects sums due for professional services rendered, but still unpaid or not billed at the closing date, relating mainly to legal consulting activities.

Due to shareholders

€317 thousand (€235 thousand)

This item reflects payables for services rendered mainly in relation to existing service contracts, but not yet settled or invoiced on the closing date by the parent company Mundys SpA.

E) Accrued expenses and deferred income

Accrued expenses

€2,781 thousand (€1,665 thousand)

Accrued expenses represent charges on derivative financial instruments accrued at the balance sheet date that will become payable in 2024, in the amount of €2,559 thousand, and, for charges on the loan agreement signed in November 2023, amounting to €222,000, for the refinancing of the Bond maturing in May 2024.

Guarantees and pledges

As of 31 December 2023, the Company had pledges and guarantees in place to secure the bonds in issue – and would soon extend other pledges and guarantees to the lenders of the term loan agreed in November 2023 - in keeping with the obligations arising from the relevant terms and conditions and related hedging contracts. Details are as follows:

- pledge on the Company's current accounts and on the 64% interest in ACA;
- pledge of any receivables from hedging contracts or loans granted to ACA.

The following guarantees were instead provided by the shareholders in the Company's interest:

- pledge on the Company's shares;
- guarantees issued by BNP Paribas (with a counter-guarantee from the Parent Company, Mundys SpA) and the related party EDF SA for a period of six months' debt service (Debt

Service Reserve Guarantee), with the obligation to extend the guarantee within 60 days of expiry, for a total maximum amount of €12,561 thousand.

Notes to the statement of profit or loss

B) Operating costs

€411 thousand (€486 thousand)

Service costs (€385 thousand) are mainly attributable to professional services and activities under service contracts provided by Mundys and by the company performing accounting services during the year.

C) Financial income and expenses

- €2,217 thousand (- €1,946 thousand)

Net financial expenses amounted to €2,217 thousand, representing mainly interest and other financial charges on the bond issue (€17,890 thousand) and interest differentials on derivative financial instruments (€9,571 thousand), partially offset by income from equity investments of €25,601 thousand related to the distribution of dividends by ACA.

D) Impairments of financial assets and liabilities

€100,191 thousand (€15,685 thousand)

Impairments of financial assets and liabilities, amounting to €100,191 thousand, resulted from the combined effect of the write-down of the investment in ACA (€110,000 thousand) and the net negative change in the fair value of derivative financial instruments that do not qualify as hedging instruments for accounting purposes (€9,809 thousand).

For further information, see “Investments in subsidiaries” and “Provisions for derivative liabilities”.

20) Income tax for the period

€4,335 thousand (€10,702 thousand)

Income tax shows a positive balance of €4,335 thousand, due to the combined effect of the benefit of €6,690 thousand obtained under the tax consolidation arrangement determined by the loss transfer, interest expense and ACE, on one side, and the release of deferred tax assets for €2,355 thousand, on the other. For further details, reference should be made to the “Receivables" section.

Notes to the statement of cash flows

The Statement of Cash flows provided for by Legislative Decree 139/2015 – which together with the Statement of Financial Position, the Statement of Profit or Loss and the Notes forms an integral part of the financial statements – is not mandatory for micro-enterprises.

However, both for the principle of comparability of financial statements with the previous year and for the general principle of a better reporting of transactions, it was in any event deemed appropriate to prepare the Statement of Cash Flows in accordance with accounting standard OIC 10.

Cash inflows from operating activities amounted to €6,427 thousand and were mainly due to the collection of dividends during the year from the subsidiary ACA (€25,600 thousand) and the collection of the tax consolidation receivables recognised in 2022 by the parent company, Mundys (€6,938 thousand), offset by the payment of interest on the bond and differentials on derivative financial instruments (totalling €25,829 thousand).

Related party transactions

In 2023 the Company had transactions with:

1. the parent company, Mundys SpA**,** in connection with the Company's participation in the tax consolidation arrangement, for services provided and the guarantees received;
2. the shareholder, EDF SA, for the guarantees received.

All financial and trading transactions with these companies were entered into at arm's length and in the interests of the Company.

The table below shows the balances of all related party trading and financial transactions.

€000

Name	Balance at 31 December 2023				2023			
	Receivables	Payables	Guarantees		Costs	Revenue	Financial income	Financial expenses
			Given	Received				
Associates								
- EDF SA		3		3,139				(41)
Total associates	-	-	-	3,139	-	-	-	(41)
Parents								
- Mundys SpA	6,690	(317)		9,422	(187)			(115)
Total parents	6,690	(317)	-	9,422	(187)	-	-	(115)

Highlights from the latest financial statements of the entity that manages and coordinates the Company pursuant to article 2497-*bis* of the Italian Civil Code

The table below shows key data from the latest approved financial statements (2022) of the parent company, Mundys SpA, which manages and coordinates the Company.

€m	Highlights from 2022 financial statements of Mundys SpA
Statement of financial position	**31 December 2022**
Non-current assets	8,739
Current assets	8,624
Total assets	**17,363**
Equity	**13,612**
of which issued capital	826
Non-current liabilities	3,576
Current liabilities	**175**
Total liabilities and equity	**17,363**
Statement of profit or loss	**2022**
Total revenue	2
Operating costs	(78)
Operating profit (loss)	**(76)**
Income/(losses) from investments	141
Financial income (expense)	80
Pre-tax profit	**145**
Tax income/(expenses)	1
Income (expenses) from discontinued operatior	2,716
Net profit	**2,862**

Fees paid to Directors and Statutory Auditors

The Company's Directors are not compensated for the office they hold.

The Board of Statutory Auditors received €37 thousand in fees for 2023 (€37 thousand in 2022) plus VAT and out-of-pocket expenses.

The fees paid to the independent audit firm are shown in the following table:

Services	Provider	Note	Fees
Audit of financial statements, book keeping and Reporting package	KPMG SpA		15,050
Audit of tax returns	KPMG SpA		1,580
AUP Financial Convenant	KPMG SpA		6,180
		Total	**21,230**

Proposals to the Shareholders of Azzurra Aeroporti SpA

Dear Shareholders,

at the end of this report, we invite you to:

- approve the financial statements as of and for the year ended 31 December 2023, which show a loss of €98,483,176;
- cover the entire loss of €98,483,176 through the use of:
  - i) the "Share premium reserve – voting shares", utilising the full amount of €18,325,021 available therein; and
  - ii) the "Preference share premium reserve" ("Class B preference reserve"), utilising €80,158,155, taking into account that all other reserves - except the legal reserve currently equal to the required legal minimum - have a zero balance.

(this page left blank intentionally)

3.Reports

(this page left blank intentionally)

Opinion of the independent auditors

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Curtatone, 3
00185 ROMA RM
Telefono +39 06 80961.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Azzurra Aeroporti S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Azzurra Aeroporti S.p.A. (the "company"), which have been prepared pursuant to article 2435-ter of the Italian Civil Code and comprise the statement of financial position as at 31 December 2023, the income statement and statement of cash flows for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of Azzurra Aeroporti S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matters

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Azzurra Aeroporti S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' 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 auditors' 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 judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate 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 communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The company's directors are responsible for the preparation of a report on operations at 31 December 2023 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations with the company's financial statements at 31 December 2023 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations is consistent with the company's financial statements at 31 December 2023 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 21 March 2024

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit

Report of the Board of Statutory Auditors on the financial statements as of and for the year ended 31 December 2023 pursuant to article 2429 of the Italian civil code

To the Annual General Meeting of AZZURRA AEROPORTI SPA's shareholders

Introduction

Dear shareholders,

To begin with, the Board of Statutory Auditors reminds you that the Company is a subsidiary of Mundys, which manages and coordinates the Company pursuant to articles 2497 et seq. of the Italian Civil Code. The Board carried out the functions provided for in articles 2403 et seq. of the Italian Civil Code, not having been assigned responsibility for the statutory audit of the accounts pursuant to art. 2409-bis of the Italian Civil Code, for which KPMG SpA were engaged.

The Board of Statutory Auditors carried out our oversight activities during the year ended 31 December 2023 in compliance with the law, as shown in the minutes produced.

During the year, the Board of Statutory Auditors performed our work in accordance with the rules of conduct for boards of statutory auditors recommended by the Italian accounting profession.

1) Oversight activities pursuant to art. 2403 of the Italian Civil Code

The Board of Statutory Auditors states that, pursuant to article 2403 of the Italian Civil Code, we oversaw compliance with the law and with the articles of association and with good governance practices, and the adequacy of the organizational, administrative and accounting structure adopted by the Company and its effective implementation.

In particular, the Board:

- *participated in General Meetings of shareholders and Board of Directors' meetings, during which, based on the available information, we did not become aware of any breaches of the law or statutory requirements governing their conduct;*
- *obtained information from the Directors and management on the overall performance and the outlook for the business, and on the most significant transactions, in terms of size and nature, carried out by the Company. In this regard, we report that as part of our oversight of financial strength and the operating performance, the Board recommended continuous monitoring also be extended to the subsidiary, Aéroports de la Còte d'Azur;*
- *had the opportunity to meet with the independent auditor engaged to conduct the statutory audit of the accounts, with whom we had productive exchanges of opinion;*
- *acquired information on and oversaw, within the scope of our responsibilities, the Company's organisational structure and the adequacy of the administrative and accounting system, and the reliability of such system in correctly presenting operations, by obtaining information from senior managers with responsibility for such matters and from the independent auditor and by examining corporate documents;*
- *during our periodic audits, the Board obtained information on the Company's activities, focusing particular attention on any contingent or exceptional events in order to identify the impact on the financial results for the year and the financial position, and any potential business risks. In this regard, with reference to the information provided by the Directors in the report on operations and the notes to the financial statements, the Board recommended that the Company proceed with continuous monitoring of the financial strength of the Company and its subsidiary, keeping track of the operating performance with regard to the talks in progress with the Grantor with a view to safeguarding and restoring the financial feasibility of the concession arrangement.*

The Board of Statutory Auditors also informs you that, to the extent required, that:

- *we have not issued any opinions pursuant to art. 2389, paragraph 3 of the Italian Civil Code;*
- *we have not had to intervene due to negligence on the part of the Board of Directors pursuant to art. 2406 of the Italian Civil Code;*
- *we have not received complaints pursuant to art. 2408 of the Italian Civil Code;*
- *we have not filed complaints pursuant to art. 2409, paragraph 7 of the Italian Civil Code.*

2) Observations on the financial statements

The Board has examined the financial statements as at and for the year ended 31 December 2023, in which the income statement reports a loss for the year of €98,483,176, as confirmed in equity in the statement of financial position. The document was approved at the Board of Directors' meeting of 7 March 2024 and was promptly made available to us.

The Company prepares its financial statements as a micro-enterprise, meeting the definition in art. 2435-ter of the Italian Civil Code. As a result, the Company does not have an obligation to apply international financial reporting standards (IFRS) as it does not have the status of issuer of financial instruments widely held by the public. The Board of Directors has provided further disclosure in the notes, the report on operations and the statement of cash flows and through a more detailed statement of financial position and income statement.

As the Board does not have responsibility for conducting the statutory audit of the financial statements or for conducting an analytical review of their content, we have overseen the general basis of preparation and their overall compliance with the law in terms of their form and structure.

In particular:

- *as far as the Board is aware, there were no instances in which it was necessary for the Directors to take advantage of the exemptions provided for in art. 2423, paragraph 4 of the Italian Civil Code;*
- *we checked that the financial statements are consistent with the events and information of which we became aware in carrying out our duties and have no further observations to make in this regard.*

3) Observations and proposals regarding approval of the financial statements

In view of the above, bearing in mind the results of the audit conducted by the independent auditor, which has today issued a positive opinion, with no emphases of matter paragraphs, on the financial statements as at and for the year ended 31 December 2023 and an opinion on the consistency of the report on operations, the Board of Statutory Auditors sees no reason for not approving such financial statements, nor do we have objections to make regarding the Board of Directors' proposal to cover the loss for the year reported in the above financial statements.

Rome, 21 March 2024

The Board of Statutory Auditors
Alessia Bastiani, Chairwoman
Prof. Lorenzo De Angelis, Standing Auditor
Corrado Bonadeo, Standing Auditor

Legal information

Name

Azzurra Aeroporti SpA - subject to management and coordination by Mundys SpA

Registered office

Piazza San Silvestro 8

00187 Rome

Legal information

Issued capital €3,221,234.00 fully paid-in

Tax code, VAT number and Rome Companies Register no. 10151991006
Registration with Administrative and Economic Index (REA) no. RM-1213285