

# 3

CONSOLIDATED  
FINANCIAL STATEMENTS





# FORM AND STRUCTURE

## GENERAL INFORMATION

The Consolidated Financial Statements at 31 December 2022 of the Acea Group were approved by Board of Directors' resolution on 8 March 2023, which also authorised their publication. The Parent Company Acea is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the Report on Operations.

## COMPLIANCE WITH IAS/IFRS

These Condensed Financial Statements have been prepared in compliance with the international accounting standards in effect on the date of the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to art. 9 of Italian Legislative Decree 38/2005.

The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

## BASIS OF PRESENTATION

These consolidated financial statements consist of the consolidated income statement, the comprehensive consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The consolidated income statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method.

The Consolidated Financial Managements are prepared using the going concern assumption and there are no significant uncertainties about the company as a going concern (as defined in paragraph 25 of IAS 1).

The Consolidated Financial Statements are presented in Euros and all amounts are rounded off to the nearest thousand Euros unless otherwise indicated.

The figures in these Consolidated Financial Statements are comparable to those in the previous year.

## DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention No. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.

The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

- for the Acea Group, the *EBITDA* is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS10 and IFRS11 came into force. *EBITDA* is determined by adding Operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- *Financial debt* is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings ("Short-term loans", "Current part of long-term loans" and "Current financial liabilities") and long-term borrowings ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities"), net of "Cash and cash equivalents" and "Current financial assets";
- the *net financial position* is an indicator of the Acea Group's financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), Current financial payables and

other Current financial liabilities net of current financial assets and Cash and cash equivalents;

- *net invested capital* is the sum of “Current assets”, “Non-current assets” and Assets and Liabilities held for sale, less “Current liabilities” and “Non-current liabilities”, excluding items taken into account when calculating the *net financial position*;
- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

## USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Consolidated Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues (including the estimate of the GRC), costs, assets and liabilities in the financial statements and information on contingent assets and liabilities at the reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.

The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, em-

ployee benefits and taxes. The estimates and assumptions are reviewed periodically, and the effects of each change are immediately recorded in the Income Statement.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

## EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the Acea Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

# CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

## CONSOLIDATION POLICIES

### Subsidiaries

The scope of consolidation includes the Parent Company Acea and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.

According to accounting standard IFRS10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights

of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.

In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change



in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

### Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method. According to IFRS11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement.

To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances. The Group reviews the existence of joint control when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

### Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The Consolidated Financial Statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.

In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.

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

When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment test together with the value of the investment.

## CONSOLIDATION PROCEDURES

### General procedure

The financial statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

### Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.

If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised

according to the provisions included in IFRS9, in the income statement or among the other components of the comprehensive income statement.

The costs directly attributable to the acquisition are included in the income statement.

The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement.

For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

It is specified that the price allocation process is provisionally allocated to assets and liabilities and definitively accounted for within 12 months from the date of acquisition as required by IFRS3.

### Business combinations involving solely entities under common control

Business combinations which involve companies which are, definitively, under the control of the same company or the same companies both before and after the combination, and this control is not temporary, are classified as “Business Combinations of entities under common control”. These are excluded from the scope of application of IFRS3, nor are they governed by other IFRS. In the absence of a relevant accounting standard, the selection of the accounting standard for these transactions, relative to those for which a significant influence on future cash flows cannot be demonstrated, is guided by the principle of prudence, which leads to the application of the criteria of continuity of values for the net assets acquired. Assets are recognised at the book values found in the accounts of the companies acquired (or that of the selling company) prior to the transaction or, alternatively, the values found in the consolidated financial statements of the common parent company. Particularly with reference to the above transactions, relative to the sale of a business unit, treatment of the difference between the contractually defined payment and the accounting value of the business transferred is differentiated as a function of the equity investment relationships between the entities involved in the transfer. Relative to transfers of business units under common control, on the other hand, regardless of the pre-existing investment relationship, the transferring entity must recognise the business transferred at its historic accounting value, increasing its shareholders’ equity by the same amount; the receiving entity must symmetrically recognise the equity investment in the transferring entity for an amount equal to the increase in the shareholders’ equity of the latter. This accounting treatment makes reference to that proposed by As-

sirevi in its Preliminary Guidelines on IFRS (OPI no. 1 Revised) - “Accounting treatment of business combinations of entities under common control in annual and consolidated financial statements”, issued in October 2016.

### Consolidation procedure for assets and liabilities held for sale (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS5.

### Treatment of put options for shares of subsidiaries

Based on the provisions established under standard IAS 32, paragraph 23, a contract which contains a requirement for an entity to acquire shares for cash or against other financial assets, gives rise to a financial liability for the current value of the price to exercise the option. Therefore, if the entity does not have the unconditional right to avoid the payment of cash or other financial instruments if and when a put option is exercised on shares of subsidiaries, it must recognise this debt. All subsequent changes are recognised in the Income statement. The same accounting treatment applies when, in addition to a put option, there is also a symmetrical call option, referred to as “symmetrical put and call options related to non-controlling interest”. The Group considers shares subject to put options (or to symmetrical put and call options) already acquired, in cases in which the economic benefits and risks linked to actual ownership of the shares does not remain with minority shareholders. Therefore, in these circumstances, it does not recognise the interests held by minority shareholders in the consolidated financial statements.

### Consolidation of foreign companies

The financial statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company Acea, are converted into Euro by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.

The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the Euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete disinvestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

- without loss of control, the share of the exchange differences relating to the shareholding sold is attributed to the shareholders’ equity pertaining to minority interests;
- without loss of joint control or significant influence, the portion of exchange differences relating to the shareholding sold is recognised in the income statement.

## SCOPE OF CONSOLIDATION

The Acea Group's Consolidated Financial Statements include the financial statements of the Parent Company, Acea, and the financial statements of the Italian and foreign subsidiaries, for which, in accordance with the provisions of IFRS10, there is exposure to the variability of returns and of which a majority of voting rights in the ordinary meetings is held, either directly or indirectly, and consequently the ability to influence the investee returns by exerting management power. Furthermore, the companies on which the Parent Company exercises joint control with other shareholders are consolidated using the equity method.

Compared to 31 December 2021 the following changes occurred in the consolidation scope:

- on 19 January 2022, the company AE Sun Capital was established, held for 40% by Acea Produzione and 60% by the investment fund Equitix Investment Management;
- on 20 January 2022, Acea Solar acquired 100% of the shares of the company SF ISLAND with registered office in Acquapendente (Viterbo, Italy);
- on 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste;
- at the end of March 2022, Acea finalised the sale of the photovoltaic holding company (Acea Sun Capital) to the British investment fund Equitix. The agreement for the transfer of assets was signed on 24 December 2021. With the closing of the operation, the newco AE Sun Capital Srl, 60% owned by Equitix and 40% by Acea Produzione, acquired from Acea Produzione the photovoltaic holding company of the Acea Group, the holder, through a number of vehicles, of a portfolio of photovoltaic plants, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network;
- on 1 April 2022, a purchase agreement was signed by Adistribuzionegas for 30% of Romeo Gas as part of the sale by A2A of concessions for the natural gas distribution service;
- on 23 May 2022, Acea Ambiente signed the deed of acquisition for an additional 20% of the shares in Cavallari, bringing its stake to 80%;
- on 30 June 2022, the acquisition by Acea Ambiente of the business unit known as Polo Cirsu was signed after participation in the competitive bidding process begun with the notice of sale issued by the Court of Teramo. This business unit consists of: **i)** a landfill known as "Grasciano1", completely depleted of authorised volumes; **ii)** a landfill known as "Grasciano2", consisting of an first lot of 234,000 m<sup>3</sup> and a second lot to be built, with an authorised volume of 246,000 m<sup>3</sup>; **iii)** a recycling and composting plant and a platform to utilise separate waste;
- on 29 July 2022 Acea Solar signed for the purchase of 17 vehicle companies in the Basilicata region (Powertis Group), each the holder of development projects for monoaxial ground-mounted photovoltaic plants. The total power is estimated at 338 MWp, with annexed storage systems for 170 MWp of power;
- on 1 September 2022, Acea Renewable 2 Srl and Fergas Solar 2 Srl were established, both 100% held by Acea Solar to complete the transfer of photovoltaic assets for plants constructed in the industrial and agricultural area. The establishment of the two companies is part of the project to deconsolidate the photovoltaic segment, begun on 22 March 2022, and which calls for a second closing, involving the transfer of plants that will be connected and operating on the date of the transaction;
- on 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented through the assignment of equity shares in favour of Adistribuzionegas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions;
- on 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of Municipalities, entities and businesses;
- on 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste;
- on 22 November 2022, the reverse merger by incorporation of AE Sun Capital with the subsidiary Acea Sun Capital was complete. The merger is part of an investment project involving the renewable energy sector and was implemented to achieve advantages through unification of processes, structures, achieving synergies and economies of scale, as well as cost efficiencies;
- on 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors;
- on 19 December 2022, DropMI Srl was established, which carries out research and engineering for next generation water metres, that can operate and be monitored remotely, and also develops smart water solutions for the domestic and international markets.

## UNCONSOLIDATED EQUITY INVESTMENTS

Tirana Acque Scarl in liquidation, 40% owned by Acea, is recognised at cost. The subsidiary, entirely written off, is excluded from the consolidation scope as it is not operational and its relevance in qualitative and quantitative terms is not significant.

# ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

## CURRENCY CONVERSION

Transactions in foreign currencies are initially recognised at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies were converted into the functional currency at the exchange rate prevailing at the balance sheet date. All exchange differences are recorded in the Income Statement of the Consolidated Financial Statements, with the exception of differences deriving from loans in foreign currency that have been entered into to hedge a net investment in a foreign company. These differences are recognised directly in equity until the net investment is disposed of and at that time any subsequent exchange rate difference is recognised in the Income Statement. The tax effect and receivables attributable to the exchange differences deriving from this type of loan are also attributed directly to equity.

Non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are converted using the exchange rate in force on the date of initial recognition of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and recognized at fair value are converted using the exchange rate on the date of determination of this value. Any emerging exchange differences are reflected in the income statement.

Non-monetary items recorded at fair value are converted using the exchange rate on the date of calculation of this value.

## REVENUE RECOGNITION

In accordance with the provisions of IFRS15 “Revenue from contracts with customers”, revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable obligations to do something (also “performance obligations”) contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- to recognize the revenue when the revenue obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Revenues are valued at the fair value of the consideration received or receivable, taking into account the value of any commercial discounts, returns and rebates granted by the Group. Specifically:

- **revenues from the sale and transport of electricity and gas** are recognised at the time the service is supplied or supplied, even if they are not invoiced, and are determined by adding estimates calculated on the basis of pre-established reading calendars. These revenues are calculated on the basis of the provisions of the law, of the resolutions of the Authority for electricity and gas and the water system in force during the period, also taking into account the pro tempore equalisation measures in force; it should be noted that with reference to the valorisation of revenues from the transport of electricity, if the admission of investments in tariffs that establishes the right to payment for the operator is virtually certain already in the year in which they are realized, the corresponding revenues they are ascertained on an accrual basis regardless of how they will be financially recognized as a result of ARERA Resolution 654/2015;
- **the revenues of the integrated water service** are determined on the basis of the Water Tariff Method (MTI-3), valid for the determination of the tariffs for the years 2020-2023, approved with Resolution no. 580/2019/R/ldr (MTI-3) of 30 December 2019, Determination 1/2020-DSIS of 29 June 2020 and subsequent modifications by ARERA. Based on the interpretation of the legal nature of the tariff component, Fo.NI. (New Investments Fund) is entered among the revenues for the year the relative amount due to the Water Companies where expressly recognized by the Area Authorities which establish the intended use.

The adjustment for the so-called pass-through items is also entered among the revenues of the year (i.e. electricity, wholesale water) of which the aforementioned resolution provides specific details as well as any adjustment relating to costs pertaining to the Integrated Water System incurred for the occurrence of exceptional events (i.e. water and environmental emergencies) if the preliminary investigation for their recognition gave positive results.

## CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met.

Water connection fees are recorded among other non-current liabilities and released to the income statement over the life of the investment to which they refer, if related to an investment, and fully recognized as income if they are related to costs incurred.



Operating grants (granted for the purpose of providing immediate financial assistance to the company or as compensation for expenses and losses incurred in a previous year) are recognised in full in the Income Statement when the conditions for recognition are met.

## CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress are assessed on the basis of the contractual fees accrued with reasonable certainty, according to the percentage of completion criterion (the so-called cost to cost), so as to attribute the revenues and the economic result of the contract to the individual financial years in proportion to the progress of the works. The positive or negative difference between the value of the contracts and the advances received is recorded respectively in the assets or in the liabilities side of the balance sheet. Contract revenues, in addition to contractual fees, include variants, price revisions and recognition of incentives to the extent that they are likely to represent actual revenues and if these can be determined reliably. Ascertained losses are recognised regardless of the progress of orders.

## EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded.

The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.

Profits and losses deriving from the actuarial calculation are recorded in the statement of comprehensive income, then in a specific Shareholders' equity Reserve, and are not subsequently charged to the Income Statement.

Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

## FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate (rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the financial statements.

## DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item investment income.

## COSTS RELATED TO BORROWING

Costs related to the assumption of loans directly attributable to the acquisition, construction or production of assets that necessarily require a significant period of time before being ready for use or sale, are included in the cost of these assets, up until where they are ready for use or sale. The proceeds from the temporary liquidity investment obtained from the aforementioned loans are deducted from capitalised interest. All other charges of this nature are recognised in the Income Statement when they are incurred.

## TAXES

Income taxes for the year represent the sum of current taxes (as per tax consolidation) and deferred taxes.

**Current taxes** are based on the taxable results for the year. Taxable income differs from the results reported in the Income Statement because it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated using the rates in force or in fact in force at the balance sheet date as well as taxation instruments allowed by tax legislation (national tax consolidation, taxation for transparency).

**Deferred taxes** are the taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used in the calculation of the taxable income, recorded according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent where it is probable that there will be future taxable results that allow the use of deductible temporary differences. These assets and liabilities are not recognized if the temporary differences derive from goodwill or from initial recognition (not in business combination transactions) of other assets or liabilities in transactions that have no influence on the accounting result or on the taxable result.

Deferred tax liabilities are recognized on the taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, with the exception of cases in which the Group is able to control the cancellation of such temporary differences and it is probable that the latter will not they will cancel in the foreseeable future.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that, based on the plans approved by the Board of Directors of the Parent, the existence of sufficient taxable income is not considered likely to allow all or partly the recovery of these assets.

Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is relieved. Deferred taxes are charged directly to the Income Statement, with the exception of those relating to items recognised directly in equity, in which case the relevant deferred taxes are recognised in equity.

## TANGIBLE ASSETS

Tangible assets are recognised at historical cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses. The cost includes the costs of the dismantling and removal of the assets and the costs of reclamation of the site on which the tangible assets stand, if they comply with the provisions of IAS 37. The corresponding liability is recognized in the liability item for risks and charges. Assets composed of components of a significant amount with a different useful life.

The costs for improvements, modernisation and transformation that increase the value of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.

Land, whether free of construction or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Systems and equipment under construction for production purposes or for purposes yet unknown are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, where applicable, capitalised financial charges. The depreciation of these assets, as for all other assets, begins when the assets are ready for use. For some types of complex goods for which long-lasting functional tests are required, the suitability for use is attested by the positive passing of these tests. Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are recorded in the Income Statement for the year.

## REAL ESTATE INVESTMENTS

Real estate investments, represented by properties held for rental and / or capital appreciation, are recorded at purchase cost including negotiation costs net of the relevant accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Real estate investments are eliminated from the financial statements when they are sold or when the investment property is permanently unusable and no future economic benefits are expected from its possible sale.

The sale of real estate which results in the leaseback of the assets is recorded on the basis of the substantial nature of the transaction considered as a whole. In this regard, reference is made to what has been explained regarding Leases.

Any profit or loss deriving from the elimination of an investment property is recorded in the Income Statement in the year in which the elimination takes place.

## INTANGIBLE ASSETS

Intangible assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as the goodwill purchased for consideration. Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies. The

useful life of intangible assets can be qualified as definite or indefinite.

Goodwill and intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may be reduced. In contrast, depreciation of the useful life is calculated at constant rates based on the estimated useful life, which is reviewed annually and any changes, where possible, are made with prospective applications. Depreciation begins when the intangible asset is available for use.

Gains or losses deriving from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recorded in the Income Statement at the time of disposal.

### Goodwill

Goodwill deriving from business combinations (including but not limited to, the acquisition of subsidiaries, jointly controlled entities or the acquisition of business units or other extraordinary transactions) represents the excess of the cost acquisition of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity at the acquisition date compared to the Group's share of the fair value. Goodwill is recognised as an asset and reviewed annually to verify that it has not suffered any loss in value. If there is joint control, or even affiliated, the goodwill of investments recognised according to the equity method remains implicit in the value of the investment.

The losses in value are recorded immediately in the income statement and are not subsequently restored.

At the acquisition date, any emerging goodwill is allocated to each of the independent cash generating units that are expected to benefit from the synergistic effects deriving from the acquisition. Any loss in value is identified through assessments that refer to the capacity of each unit to generate cash flows to recover the part of goodwill allocated to it. In the event that the recoverable amount by the cash-generating unit is lower than the assigned load value, the relative loss in value is recorded.

In the event of the sale of a subsidiary or jointly controlled entity, the amount not yet amortized of the goodwill attributable to them is included in the determination of the gain or loss on disposal.

### Concessions

This item includes the value of the concession right to the assets consisting of water and purification plants that were transferred. This value refers to state property belonging to the so-called "accidental state" of water and sewage treatment and is systematically amortised based on the residual duration of the concession. It should be noted that the residual depreciation period is in line with the average duration of the operations entrusted with a public procedure.

### Infrastructure law

In line with the provisions of IFRIC 12 "Service Concession Arrangements", based on the intangible asset model the Group reports the total amount of the physical infrastructure supplied for the management of the water service, since the service concession contract does not give the concessionaire the right to control the use of the public service infrastructure but rather allows access to the management of the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

In fact, the aforementioned interpretation requires the registration of a single intangible asset representing the concessionaire's right to charge the fee to users of the public service instead of the takeover of the physical infrastructure for the management of the service.

The amount also includes the capitalisation of the margin resulting from investments.

### Rights of use of intellectual property

Costs related to this item are included under intangible assets and are amortized on the basis of a period of presumed usefulness of three/five years.

### Right of use

This item contains assets relative to application of international accounting standard IFRS16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS 17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements).

The right to use the leased asset ("Right of Use") and the commitment made result from financial data in the financial statements (IFRS16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value;
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases – including renewals – will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease.

For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody's. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS16.

## IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure.

The test consists of a comparison between the carrying amount of the asset and its estimated value in use - VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the "VIU" is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing.

Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses.

The determination of the "VIU" is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve.

When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

## EMISSION ALLOWANCES, GREEN CERTIFICATES AND WHITE CERTIFICATES

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

Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other

intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value.

Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.

The burden resulting from the fulfilment of the energy efficiency obligation is estimated on the basis of the average purchase price for the contracts entered into, taking into account the certificates in the portfolio at the financial statements date; a provision for liabilities is allocated for the negative difference between the said burden and the contribution estimated pursuant to AEEGSI Resolution 13/2014/R/efr, to be paid at the time the certificates are delivered in fulfilment of the obligation.

Allowances or certificates held for trading in the "Trading Portfolio" are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends. Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period, or otherwise on the basis of market prices.

## INVENTORIES

Warehouse stock is valued as the difference between costs and net value of earnings. Costs include direct materials and, where applicable, direct labour, general production expenses and other costs sustained to bring the stock to its current conditions and location. Cost is calculated using the moving weighted average method. The net value of earnings is estimated sales price minus estimated costs for completion and estimated costs necessary to execute the sale. Devaluations of warehouse stock, according to its nature, are made through allocation funds, written in the balance sheet reducing assets entries, i.e. item by item, offsetting variations of leftover stock in the Income Statement.

## FINANCIAL INSTRUMENTS

Financial assets and liabilities refer to the moment in which the Group became party to the instrument's contractual provisions.

### Financial assets - debt instruments

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories: **i)** financial assets measured at amortised cost; **ii)** financial assets measured at fair value through other comprehensive income (hereafter, also OCI); **iii)** financial assets measured at fair value through profit and loss.

Initial recognition takes place at fair value. For trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called "hold to collect" mod-

el). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value.

Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related provision for bad debts.

The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called "hold to collect and sell" business model) are valued at fair value with allocation of the effects to OCI (hereinafter also FVTOCI).

In this case, changes in the fair value of the instrument are recognised under shareholders' equity among other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders' equity reserve that includes the other components of the overall profit is reversed in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs is recognised in the income statement.

A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the income statement (hereinafter FVTPL). This category includes financial assets held for trading purposes.

When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement.

The financial assets sold are derecognised when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

### Write-downs of financial assets

The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the income statement is made on the basis of the so-called "Expected credit loss model".

In particular, expected losses are generally determined based on the product of: **i)** the exposure owed to the counterparty net of the relative mitigating factors (so-called "Exposure at Default"); **ii)** the probability that the counterparty does not comply with its payment obligation ("Probability of Default"); **iii)** the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default ("Loss Given Default"), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.).

In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment

– is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets.

For retail customers not having internal ratings, the assessment of expected losses is based on a provision matrix, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

### Financial assets related to agreements for services under concession

With reference to the application of IFRIC12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive cash flows. In addition, the Group reports revenues on the contract for construction and improvement services, both for the part carried out internally by the Group and for the part of Third Parties. The margin recorded is accounted for according to the provisions of IFRS15 and amortised over the residual duration of the concession.

### Cash and cash equivalents

This item includes cash and bank current accounts and deposits repayable on demand or very short term and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of changes in value.

## FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments – including financial payables, trade payables, other payables and other liabilities – are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point “Financial assets”.

Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

### Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is a currently exercisable legal right to offset, and the intention is to settle the relationship on a net basis (i.e. to sell the asset and simultaneously settle the liability).

### Derivative financial instruments and hedge accounting

Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, “Valuation at fair value”.

As part of the risk management strategy and objectives, qualification of transactions as hedges requires: **i)** verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; **ii)** the definition of a hedge ratio consistent with risk management objectives, within the defined risk management

strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge.

When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects in the income statement. Similarly, the hedged instruments in the income statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are initially recognised in the shareholders' equity reserve relating to the other components of comprehensive income, and subsequently recognised in the income statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called basis adjustment).

The ineffective portion of the hedge is recorded in the income statement item “Financial (costs)/income”.

Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the income statement item “Financial (costs)/income”.

Embedded derivatives – embedded in financial assets – are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets.

Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: **i)** meets the definition of a derivative; **ii)** as a whole it is not valued at fair value with the effects being charged to the income statement (FVTPL); **iii)** if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

### Valuation at fair value

The fair value is the consideration that can be received for the sale of an asset or that can be paid for the transfer of a liability in a regular transaction between market operators at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use in determining the price of the asset or liability. The fair value measurement also assumes that the asset or liability is exchanged in the main market or, in the absence thereof, in the most advantageous market the company



has access to.

The determination of the fair value of a non-financial asset is made considering the ability of market operators to generate economic benefits by using this asset in its highest and best use or by selling it to another participant in the market able to use it, maximising its value. The determination of the highest and best use of the asset is made from the point of view of market operators even in the case where the company intends to use it differently. It is assumed that the company's current use of a non-financial asset is its highest and best use unless the market or other factors suggest that a different use by market operators is able to maximise its value.

The valuation of the fair value of a liability, both financial and non-financial or of a capital instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument. If this quoted price is not available, the valuation of the corresponding asset held by a market operator at the valuation date is considered. The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset (so-called "Credit Valuation Adjustment" - CVA) and the risk of default by the entity itself, with reference to a financial liability (so-called "Debit Valuation Adjustment" - DVA). In determining fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of reliability of the fair value, giving precedence to the use of observable market parameters that reflect the assumptions that market participants would use in the valuation of the asset/liability. The fair value hierarchy has the following levels:

- level 1: inputs represented by quoted prices (unmodified) in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than the prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability. In the absence of available market quotations, the fair value is determined using valuation techniques appropriate to the individual cases that maximise the use of relevant observable inputs, minimising the use of unobservable inputs.

## PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be re-

quired to satisfy the obligation and a reliable estimate can be made on the amount of the obligation.

The provisions are allocated based on the Management's best estimate for the costs required to fulfil the obligation at the balance sheet date, and if the effect is significant.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company's debt taking into account the risks associated with the obligation; the increase in the provision associated with the passage of time is recognised in the Income Statement under the item "Financial income/(charges)".

If the debt is related to the dismantling and/or renovation of material assets, the initial fund is reported as an offset to the asset it refers to; its incidence on the Income Statement takes place through the process of amortisation of the material fixed asset to which the obligation refers.

## NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered mainly through sale rather than through continual use, are measured at the lower of their net carrying amount and the fair value net of costs to sell.

In particular, by disposal group is meant a set of directly related assets and liabilities held for sale in the context of a single operation. Discontinued operations consist, instead, of a significant component of the group, such as an important autonomous business unit or geographical area of activity or a subsidiary acquired exclusively with a view to resale.

This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and the Management has made a commitment to the sale, which must take place within twelve months from the date of classification in this item.

Assets and liabilities directly related to non-current assets held for sale, disposal groups and discontinued operations, in line with what is provided for in the international accounting standards, are accounted for in two specific items of the balance sheet, that is, assets held for sale and liabilities closely associated with assets held for sale.

In addition, from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated and the measurement of such assets is made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value.

# ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2022

## “Amendment to IFRS3 Business Combinations”

Issued on 14 May 2020, it updates the reference in IFRS3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

## “Amendment to IAS 16 Property, Plant and Equipment”

Issued on 14 May 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues and related costs are recognised in the income statement. Amendments to IAS 16 are effective from the financial years beginning on or after 1 January 2022.

## “Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets”

Issued on 14 May 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss. In this regard, the “cost needed to fulfil” the contract includes the costs related directly to the latter, comprising: a) the incremental costs needed to fulfil said contract (for example, labour and direct raw materials) and b) the breakdown of the oth-

er costs directly related to fulfilling the contract (for example, the breakdown of the amortisation/depreciation rate for fixed assets, plants and machinery used to fulfil said contract and others).

## “Annual Improvements 2018-2020”

Issued on 14 May 2020, it includes amendments to:

- IFRS1 First-time Adoption of International Financial Reporting Standards, where a subsidiary that applies paragraph D16 of IFRS1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the parent company;
- IFRS9 Financial Instruments, which provides clarification on which fees to include in the ten per cent test in section B3.3.6 when assessing whether to eliminate a financial liability;
- IAS 41 Agriculture, where, in order to ensure consistency with the requirements of IFRS13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted.
- The Illustrative Examples accompanying IFRS16 Leases, eliminating Illustrative Example 13 in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

# ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

## **“Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9 - Comparative Information”**

Issued on 9 December 2021, it allows for use of the transitional option relative to comparative information on financial assets upon first time application of IFRS17. The option allows entities to re-classify, in comparative information and individually, all financial instruments that fall under the scope of the standard, to avoid accounting mismatches with respect to the classification envisaged under international accounting standard IFRS9. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

## **“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”**

Issued on 23 January 2020, it provides clarifications on the classification of liabilities as current or non-current. Amendments to IAS 1 are effective from the financial years beginning 1 January 2023.

## **“Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”**

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

## **“IFRS17 Insurance Contracts”**

On 18 May 2017, the IASB issued IFRS17 “Insurance Contracts” which defines the accounting of insurance contracts issued and re-insurance contracts held. The provisions of IFRS17 that establish the criteria for recognition, measurement, presentation and disclosure

of insurance contracts, supersede those currently provided for in IFRS4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

## **“Amendments to IFRS16 Leases: Lease Liability in a Sale and Leaseback”**

Issued on 22 September 2022, its purpose is to clarify the impact that a sale and leaseback transaction could have on a financial liability that involves variable payments not linked to indices or rates. The main change in the subsequent measurement of the financial liability regards the determination of the “lease payments” and of the “revised lease payments” so that, following a leaseback transaction a the seller-lessee does not recognise any profit or loss related to the right of use that it holds. The purpose of the amendment is to avoid the accounting of profits and losses, related to the right of use recognised, following events that entail a remeasurement of the payable (for example a change in the leasing contract or in its duration). Any profits and losses deriving from the partial or total termination of a leasing contract continue to be recognised for the part of right of use terminated. The amendments are applicable from 1 January 2024 with possibility of early application.

## **“Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies”**

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

## **“Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”**

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. The amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

## CONSOLIDATED INCOME STATEMENT

Ref. Note	€ thousand	2022	Of which related party transactions	2021	Of which related party transactions	Change
1	Revenue from sales and services	4,957,179		3,816,030		1,141,149
2	Other revenue and proceeds	181,066		156,032		25,035
	<b>Consolidated net revenue</b>	<b>5,138,245</b>	<b>148,412</b>	<b>3,972,061</b>	<b>101,556</b>	<b>1,166,183</b>
3	Staff costs	305,066		275,819		29,247
4	Costs of materials and overhead	3,556,055		2,461,216		1,094,840
	<b>Consolidated operating costs</b>	<b>3,861,121</b>	<b>65,557</b>	<b>2,737,035</b>	<b>52,416</b>	<b>1,124,086</b>
5	Net Income/(Expense) from commodity risk management	0		0		0
6	Profit/(loss) from non-financial equity investments	27,897		21,048		6,849
	<b>EBITDA</b>	<b>1,305,021</b>	<b>82,855</b>	<b>1,256,075</b>	<b>49,140</b>	<b>48,946</b>
7	Net write-downs (write-backs) of trade receivables	113,370		86,207		27,164
8	Depreciation, amortisation and provisions	625,799		588,768		37,031
	<b>Operating profit/(loss)</b>	<b>565,851</b>	<b>82,855</b>	<b>581,101</b>	<b>49,140</b>	<b>(15,249)</b>
9	Financial income	25,962	1,117	11,491	7,142	14,471
10	Financial charges	(111,670)	(66)	(97,388)	12	(14,282)
11	Profit/(Loss) on equity investments	17,793		7,798		9,995
	<b>Profit/(loss) before tax</b>	<b>497,937</b>	<b>83,906</b>	<b>503,002</b>	<b>56,293</b>	<b>(5,065)</b>
12	Income tax	186,777		150,662		36,115
	<b>Net profit/(loss)</b>	<b>311,160</b>	<b>83,906</b>	<b>352,340</b>	<b>56,293</b>	<b>(41,180)</b>
	Net profit/(loss) from discontinued operations			0		
	<b>Net profit/(loss)</b>	<b>311,160</b>	<b>83,906</b>	<b>352,340</b>	<b>56,293</b>	<b>(41,180)</b>
	<b>Profit/(loss) due to third parties</b>	<b>31,435</b>		<b>39,030</b>		<b>(7,595)</b>
	<b>Net profit/(loss) attributable to the Group</b>	<b>279,725</b>		<b>313,309</b>		<b>(33,585)</b>
13	<b>Earnings (loss) per share attributable to Parent Company's shareholders</b>					
	- Base	1.31348		1.47118		(0.15770)
	- Diluted	1.31348		1.47118		(0.15770)
	<b>Profit (loss) per share attributable to the shareholders of the Parent Company net of treasury shares</b>					
	- Base	1.31605		1.47406		(0.15801)
	- Diluted	1.31605		1.47406		(0.15801)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2022	2021	Change
<b>Net profit/(loss) for the period</b>	<b>311,160</b>	<b>352,340</b>	<b>(41,180)</b>
<b>Gains/losses from the conversion of financial statements in foreign currency</b>	<b>6,524</b>	<b>2,124</b>	<b>4,400</b>
Provision for exchange rate difference	10,348	5,715	4,633
Tax on exchange rate difference	(2,484)	(1,372)	(1,112)
<b>Gains/losses from exchange rate difference</b>	<b>7,865</b>	<b>4,344</b>	<b>3,521</b>
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	79,696	30,157	49,539
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(21,744)	(8,297)	(13,447)
<b>Profit/(loss) from the effective portion on hedging instruments, net of tax</b>	<b>57,952</b>	<b>21,861</b>	<b>36,092</b>
Actuarial profit/(loss) on staff benefits included in the Shareholders' equity	6,409	4,666	1,742
Tax effect on the other actuarial profit/(loss) on staff benefits	(1,842)	(1,358)	(484)
<b>Actuarial profit/(loss) on defined benefit pension plans, net of tax</b>	<b>4,567</b>	<b>3,309</b>	<b>1,258</b>
<b>Total of the comprehensive income components, net of tax</b>	<b>76,908</b>	<b>31,637</b>	<b>45,271</b>
<b>Total comprehensive profit/(loss)</b>	<b>388,067</b>	<b>383,976</b>	<b>4,091</b>
<b>Total comprehensive income (loss) attributable to:</b>			
- Group	348,319	342,865	5,455
- Third parties	39,748	41,111	(1,364)



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. Note	ASSETS € thousand	31/12/2022	Of which with related parties	31/12/2021	Of which with related parties	Change
14	Tangible fixed assets	3,144,250		2,938,530		205,720
15	Real estate investments	2,256		2,314		(58)
16	Goodwill	255,048		251,477		3,570
17	Concessions and rights on infrastructure	3,470,906		3,048,190		422,715
18	Intangible fixed assets	420,191		411,607		8,584
19	Copyright	90,397		53,096		37,301
20	Equity investments in unconsolidated subsidiaries and associates	348,885		292,239		56,646
21	Other equity investments	3,007		2,980		27
22	Deferred tax assets	179,823		202,606		(22,783)
23	Financial assets	30,531	4,865	22,549	8,319	7,982
24	Other non-current assets	615,144		576,065		39,078
	<b>Non-current assets</b>	<b>8,560,435</b>	<b>4,865</b>	<b>7,801,652</b>	<b>8,319</b>	<b>758,783</b>
25	Inventories	104,507		86,406		18,101
26	Trade receivables	1,267,445	61,714	1,071,644	51,601	195,802
27	Other current assets	458,780		387,813		70,967
28	Current tax assets	26,296		24,183		2,114
29	Current financial assets	342,085	117,998	407,944	113,981	(65,858)
30	Cash and cash equivalents	559,908		680,820		(120,912)
	<b>Current assets</b>	<b>2,759,022</b>	<b>179,712</b>	<b>2,658,809</b>	<b>165,582</b>	<b>100,213</b>
31	Non-current assets destined for sale	19,076		168,425		(149,350)
	<b>TOTAL ASSETS</b>	<b>11,338,533</b>	<b>184,578</b>	<b>10,628,886</b>	<b>173,901</b>	<b>709,646</b>

Ref. Note	LIABILITIES AND SHAREHOLDERS' EQUITY € thousand	31/12/2022	Of which with related parties	31/12/2021	Of which with related parties	Change
	Share capital	1,098,899		1,098,899		0
	Legal reserve	147,501		138,649		8,852
	Other reserves	27,743		(123,433)		151,176
	Retained earnings/(losses)	737,400		696,547		40,853
	Profit (loss) for the year	279,725		313,309		(33,585)
	<b>Total Shareholders' equity for the Group</b>	<b>2,291,268</b>		<b>2,123,971</b>		<b>167,296</b>
	Third parties Shareholders' Equity	463,975		392,449		71,526
32	<b>Total Shareholders' equity</b>	<b>2,755,243</b>		<b>2,516,420</b>		<b>238,822</b>
33	Staff termination benefits and other defined benefit plans	112,989		120,150		(7,162)
34	Provisions for risks and charges	218,025		193,318		24,706
35	Borrowings and financial liabilities	4,722,263		4,791,979		(69,716)
36	Other non-current liabilities	399,628		409,064		(9,435)
	<b>Non-current liabilities</b>	<b>5,452,905</b>		<b>5,514,512</b>		<b>(61,607)</b>
37	Borrowings	619,418	108,523	285,222	120,137	334,196
38	Payables to suppliers	1,849,980	41,985	1,683,563	51,965	166,417
39	Tax payables	26,810		18,962		7,847
40	Other current liabilities	632,259		562,806		69,453
	<b>Current liabilities</b>	<b>3,128,466</b>	<b>150,508</b>	<b>2,550,553</b>	<b>172,102</b>	<b>577,914</b>
41	Liabilities closely associated with assets held for sale	1,919		47,402		(45,483)
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>11,338,533</b>	<b>150,508</b>	<b>10,628,886</b>	<b>172,102</b>	<b>709,646</b>

## CONSOLIDATED CASH FLOW STATEMENT

Ref. Note	€ thousand	31/12/2022	Of which related parties	31/12/2021	Of which related parties	Change
<b>Cash flow from operating activities</b>						
	<b>Profit before tax</b>	<b>497,937</b>		<b>503,002</b>		<b>(5,065)</b>
8	Depreciation/amortisation and impairment losses	594,636		546,626		48,010
6-7	Revaluations/Impairment charges	67,680		57,360		10,320
34	Increase/(decrease) in provisions for liabilities	14,167		(3,706)		17,873
33	Net change in the provision for employee benefits	(19,158)		(7,004)		(12,154)
	Net financial interest	85,708		85,897		(189)
	Income taxes paid	(178,506)		(180,117)		1,611
	<b>Cash flow generated by operating activities before changes in working capital</b>	<b>1,062,464</b>	<b>0</b>	<b>1,002,058</b>	<b>0</b>	<b>60,406</b>
26-27	Increase/Decrease in receivables included in current assets	(247,714)	(35,924)	(184,891)	(14,707)	(62,824)
38-40	Increase/Decrease in payables included in the working capital	137,721	10,522	68,010	58,974	24,111
25	Increase/Decrease in inventories	(15,497)		7,209		(22,707)
	<b>Change in working capital</b>	<b>(125,490)</b>	<b>(25,401)</b>	<b>(109,672)</b>	<b>44,267</b>	<b>(61,419)</b>
	Change in other assets/liabilities during the period	(210,271)		(136,125)		(28,447)
	<i>Cash flow from operations of Disposal Groups/Assets held for sale</i>	<i>0</i>		<i>3,259</i>		<i>(3,259)</i>
	<b>Total cash flow from operating activities</b>	<b>726,703</b>	<b>(25,401)</b>	<b>759,521</b>	<b>44,267</b>	<b>(32,719)</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>						
	Purchase/sale of tangible fixed assets	(350,085)		(626,507)		276,422
	Purchase/sale of intangible fixed assets	(700,218)		(354,759)		(345,458)
20-21	Equity investments	110,108		(90,048)		200,058
	Collections/payments deriving from other financial investments	44,819	(10,586)	1,340	(100)	43,479
	Dividends received	3,381	3,381	7,423	6,915	(4,041)
	Interest income received	29,243		14,511		14,732
	<i>Cash flow from investments of Disposal Groups/Assets held for sale</i>	<i>0</i>		<i>(3,189)</i>		<i>3,189</i>
	<b>TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(862,752)</b>	<b>(7,205)</b>	<b>(1,051,231)</b>	<b>6,815</b>	<b>188,381</b>

Ref. Note	€ thousand	31/12/2022	Of which related parties	31/12/2021	Of which related parties	Change
	<b>Cash flow from financing activities</b>					
37	Repayment of mortgages and medium/long-term borrowings	(73,287)		(233,995)		160,708
37	Provision of mortgages/other medium/long-term loans	250,000		902,500		(652,500)
35	Decrease/Increase in other financial debts	92,441	9,359	(146,968)	259,963	239,409
	Interest expense paid	(114,121)		(100,752)		(13,370)
	Dividends paid	(146,238)	(146,238)	(96,743)	(131,833)	(49,495)
	<i>Cash flow from loans of Disposal Groups/Assets held for sale</i>	0		0		0
	<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>8,795</b>	<b>(136,879)</b>	<b>324,042</b>	<b>128,130</b>	<b>(315,247)</b>
	<b>Cash flow for the period</b>	<b>(127,254)</b>	<b>(169,485)</b>	<b>32,332</b>	<b>179,212</b>	<b>(159,586)</b>
	Net opening balance of cash and cash equivalents	680,820		642,209		38,611
	Cash availability from acquisition	6,342		18,652		(12,310)
	<b>Net closing balance of cash and cash equivalents</b>	<b>559,908</b>		<b>693,193</b>		<b>(133,285)</b>
	Cash and cash equivalents at the end of the year Disposal Groups/Assets held for sale	0		12,374		(12,374)
	<b>Cash and cash equivalents at the end of the year Continuing Operations</b>	<b>559,908</b>		<b>680,820</b>		<b>(120,912)</b>

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Valuation reserve for employee benefit plans net of tax effect	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' equity for the Group	Third parties Shareholders' equity	Total Shareholders' equity
<b>Balance at 1 January 2022</b>	<b>1,098,899</b>	<b>138,649</b>	<b>(18,234)</b>	<b>(4,754)</b>	<b>2,048</b>	<b>594,055</b>	<b>313,309</b>	<b>2,123,971</b>	<b>392,449</b>	<b>2,516,420</b>
Income statement profit	0	0	0	0	0	0	279,725	279,725	31,435	311,160
Other comprehensive income (loss)	0	0	3,876	50,175	14,544	0	0	68,595	8,313	76,908
<b>Total comprehensive income (loss)</b>	<b>0</b>	<b>0</b>	<b>3,876</b>	<b>50,175</b>	<b>14,544</b>	<b>0</b>	<b>279,725</b>	<b>348,319</b>	<b>39,748</b>	<b>388,067</b>
Allocation of result for 2021	0	8,852	0	0	0	304,457	(313,309)	0	0	0
Distribution of dividends	0	0	0	0	0	(180,666)	0	(180,666)	(11,992)	(192,658)
Change in consolidation scope	0	0	29	(596)	0	(2,211)	0	(2,777)	43,843	41,066
Other changes	0	0	0	0	0	2,420	0	2,420	(73)	2,348
<b>Balance as at 31 December 2022</b>	<b>1,098,899</b>	<b>147,501</b>	<b>(14,329)</b>	<b>44,825</b>	<b>16,592</b>	<b>718,056</b>	<b>279,725</b>	<b>2,291,268</b>	<b>463,975</b>	<b>2,755,243</b>

€ thousand	Share capital	Legal reserve	Valuation reserve for employee benefit plans net of tax effect	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' equity for the Group	Third parties Shareholders' equity	Total Shareholders' equity
<b>Balance at 1 January 2021</b>	<b>1,098,899</b>	<b>129,761</b>	<b>(21,419)</b>	<b>(25,197)</b>	<b>(3,918)</b>	<b>504,257</b>	<b>282,446</b>	<b>1,964,829</b>	<b>358,429</b>	<b>2,323,258</b>
Income statement profit	0	0	0	0	0	0	313,309	313,309	39,030	352,340
Other comprehensive income (loss)	0	0	3,185	20,407	5,964	0	0	29,556	2,081	31,637
<b>Total comprehensive income (loss)</b>	<b>0</b>	<b>0</b>	<b>3,185</b>	<b>20,407</b>	<b>5,964</b>	<b>0</b>	<b>313,309</b>	<b>342,865</b>	<b>41,111</b>	<b>383,976</b>
Allocation of result for 2020	0	8,888	0	0	0	273,558	(282,446)	0	0	0
Distribution of dividends	0	0	0	0	0	(170,038)	0	(170,038)	(13,606)	(183,645)
Change in consolidation scope	0	0	0	35	0	(35)	0	0	(9,026)	(9,026)
Other changes	0	0	0	0	2	(13,687)	0	(13,685)	15,541	1,856
<b>Balance as at 31 December 2021</b>	<b>1,098,899</b>	<b>138,649</b>	<b>(18,234)</b>	<b>(4,754)</b>	<b>2,048</b>	<b>594,055</b>	<b>313,309</b>	<b>2,123,971</b>	<b>392,449</b>	<b>2,516,420</b>



# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## CONSOLIDATED NET REVENUE

As at 31 December 2022 these amounted to € 5,138,245 thousand (€ 3,972,061 thousand at 31 December 2021), recording an increase of € 1,166,183 thousand compared to the previous year:

€ thousand	2022	2021	Change	% change
Revenue from sales and services	4,957,179	3,816,030	1,141,149	29.9%
Other revenue and proceeds	181,066	156,032	25,035	16.0%
<b>Consolidated net revenue</b>	<b>5,138,245</b>	<b>3,972,061</b>	<b>1,166,183</b>	<b>29.4%</b>

### 1. Revenue from sales and services – € 4,957,179 thousand

This item registered a total increase of € 1,141,149 thousand (+29.9%) compared to the previous financial year, which closed

with € 3,816,030 thousand. The composition of the item is shown below.

€ thousand	2022	2021	Change	% change
Revenue from electricity sales and services	2,956,818	2,144,449	812,368	37.9%
Revenue from gas sales	228,254	151,247	77,007	50.9%
Revenue from electricity incentives	6,292	23,130	(16,838)	(72.8%)
Revenue from the Integrated Water Service	1,202,854	1,127,987	74,868	6.6%
Revenue from overseas water services	94,458	75,692	18,766	24.8%
Revenue from waste disposal and landfill operations	189,550	142,383	47,167	33.1%
Revenue from customer services	153,487	119,410	34,077	28.5%
Connection fees	28,990	25,428	3,562	14.0%
Revenues from sustainable development	96,476	6,303	90,173	n.s.
<b>Revenue from sales and services</b>	<b>4,957,179</b>	<b>3,816,030</b>	<b>1,141,149</b>	<b>29.9%</b>

### Revenue from electricity sales and services

Amounted to € 2,956,818 thousand and are broken down as follows:

€ thousand	2022	2021	Change	% change
Electricity and heat generation	12,837	7,464	5,374	72.0%
Electricity sales	2,571,259	1,528,001	1,043,258	68.3%
Transport and metering of energy	362,615	602,149	(239,534)	(39.8%)
Sale of energy from Waste-to-Energy and biogas	1,979	1,581	397	25.1%
Cogeneration	8,128	5,255	2,873	54.7%
<b>Revenue from electricity sales and services</b>	<b>2,956,818</b>	<b>2,144,449</b>	<b>812,368</b>	<b>37.9%</b>

The main change refers to the sale of electricity (+€ 1,043,258 thousand) as a consequence of the higher unit prices, partly offset by the lower quantities. Electricity sales on the Free Market totalled 6,331 GWh with a 3.5% reduction on the previous year, while electricity sales on the Greater Protection Service totalled 1,411 GWh

with a 16.7% decrease on an annual basis. This reduction was affected by the automatic assignment of “small” customers and “micro” enterprises to the Gradual Protection Service, created starting from 1 January 2021 and in part to the decrease in the number of customers.

### Revenue from gas sales

These amounted to € 228,254 thousand, recording an increase of € 77,007 thousand compared to 31 December 2021, due to higher unit prices.

### Revenue from electricity incentives

These revenues amounted to € 6,292 thousand and showed a decrease of € 16,838 thousand compared to the previous year. The decrease is mainly attributable to Acea Produzione (-€ 13,243 thousand) referring to the decrease in revenue from the Incentive Management Recognition (GRIN), due to the effects of pricing and volumes.

€ thousand	2022	2021	Change	% change
Revenue from water sales	702,412	731,162	(28,750)	(3.9%)
Revenue from water purification sales	298,998	279,902	19,096	6.8%
Revenue from sewerage sales	116,754	114,799	1,955	1.7%
Other revenue	84,690	2,124	82,567	n.s.
<b>Revenue from the Integrated Water Service</b>	<b>1,202,854</b>	<b>1,127,987</b>	<b>74,868</b>	<b>6.6%</b>

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019.

### Revenue from overseas water services

These revenues are equal to € 94,458 thousand and show an in-

### Revenue from the Integrated Water Service

As mentioned in the section of the Report on Operations to which reference should be made for more detailed information, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. The revenue totals €1,202,854 thousand, up by € 74,868 thousand (+6.6%) with respect to the previous year (the figure was € 1,127,987 thousand) mainly due to greater revenues from pass-through items, mainly associated with greater energy costs. The composition of the item is shown below:

crease of € 18,776 thousand compared to the previous year (€ 75,692 thousand as at 31 December 2021). The change was influenced in large part by the positive exchange effect.

### Revenue from waste disposal and landfill operations

These revenues amounted to € 189,550 thousand and showed an increase of € 47,167 thousand compared to the previous year. The breakdown of the item is shown below:

€ thousand	2022	2021	Change	% change
Revenue from waste disposal and transport	18,689	9,697	8,992	92.7%
Revenues from street sweeping and collection	3,455	0	3,455	n.s.
Revenue from selection and processing	32,629	26,160	6,469	24.7%
Revenue from landfill management and transport	30,902	37,833	(6,932)	(18.3%)
Revenue from sludge recovery	16,159	18,084	(1,925)	(10.6%)
Revenue from conferment of biomasses	87,716	50,608	37,108	73.3%
<b>Revenue from waste disposal and landfill operations</b>	<b>189,550</b>	<b>142,383</b>	<b>47,167</b>	<b>33.1%</b>

The increase recorded was mainly due to the change in the consolidation scope (+€ 58,684 thousand), as a result of the consolidation of the Deco Group, MEG, S.E.R. Plast and Tecnoservizi. This increase was offset by lower revenues recorded by Demap (-€ 4,242 thousand) due to lower quantities entering the plant and higher costs, as a direct consequence of the effects of the fire at the end of the previous year.

### Revenue from customer services

These amounted to € 153,487 thousand (€ 119,410 thousand at 31 December 2021) and increased by € 34,077 thousand. The changes can be represented as follows:

Public Lighting - Rome	2022	2021	Change	% change
Public Lighting - Rome	49,585	32,368	17,217	53.2%
Work for third parties	68,905	62,074	6,830	11.0%
Inter-company services	7,793	2,657	5,137	193.3%
Photovoltaic	2	143	(141)	(98.3%)
GIP revenue	6,417	6,251	166	2.7%
Change in inventories	20,784	15,917	4,867	30.6%
<b>Revenue from customer services</b>	<b>153,487</b>	<b>119,410</b>	<b>34,077</b>	<b>28.5%</b>

The increase is partly attributable to the change in scope for +€ 8,392 thousand, the increase in SIMAM inventories for € 7,677 thousand and the higher revenue realised in respect of the public lighting contract with the Municipality of Rome for € 17,217 thousand, due to price trends associated with the energy component.

€ thousand	2022	2021	Change	% change
Water connection fees	3,882	3,905	(23)	(0.6%)
Electricity market connection fees	19,867	14,743	5,124	34.8%
Ancillary revenue	5,241	6,780	(1,539)	(22.7%)
<b>Connection fees</b>	<b>28,990</b>	<b>25,428</b>	<b>3,562</b>	<b>14.0%</b>

### Revenues from sustainable development

These totalled € 96,476 thousand, up by € 90,173 thousand with respect to the previous year, due to the increase in sales of installation and assistance to customers for activities and services with reference to energy efficiency and smart services projects.

€ thousand	2022	2021	Change	% change
Contributions from Entities for Energy Efficiency Certificates	4,714	14,007	(9,293)	(66.3%)
Non-recurring gains	40,018	51,849	(11,831)	(22.8%)
Other revenue	69,820	22,957	46,863	n.s.
Refunds for damages, penalties, collateral	14,092	10,636	3,455	32.5%
Feed-in tariff	6,015	17,751	(11,735)	(66.1%)
Regional grants	17,903	13,310	4,593	34.5%
Income from end users	63	212	(149)	(70.4%)
Seconded personnel	513	558	(45)	(8.0%)
Real estate income	1,004	1,625	(621)	(38.2%)
IFRIC12 margin	18,344	18,609	(265)	(1.4%)
Gains on asset disposals	4,351	269	4,082	n.s.
Recharged cost for company officers	654	707	(53)	(7.5%)
Premiums for continuity of service	165	464	(299)	(64.5%)
Revenue for disconnections and connections	3,411	3,077	334	10.9%
<b>Other revenue and proceeds</b>	<b>181,066</b>	<b>156,032</b>	<b>25,035</b>	<b>16.0%</b>

The increase is mainly attributable to the following offsetting effects:

- other revenues (+€ 46,863 thousand) mainly due to the recognition of technical quality bonuses for companies in the water sector (+€ 26,923 thousand) for the years 2018-2019 (Resolution 183/2022/R/ldr of 26 April 2022) and bonuses for projects to increase the resilience of the electricity distribution service (+€ 3,309 thousand);
- reimbursement for damages and penalties (+€ 3,455 thousand) mainly attributable to Demap (+€ 2,703 thousand) due to an insurance payment linked to the fire the previous year and Acea Energia (+€ 1,317 thousand) above all for application of penalties and fines charged to suppliers for non-compliances and/or delays with respect to contractual conditions;
- greater regional contributions (+€ 4,593 thousand) mainly due to higher operating grants received by Umbria Energy and IWS;
- greater revenues recorded by GORI (+€ 9,802 thousand), mainly deriving from the recognition of the tax credit associated with high energy prices;
- lower energy account contributions (- € 11,735 thousand) mainly due to the deconsolidation of the photovoltaic compa-

### Connection fees

These amounted to € 28,990 thousand and increased (+€ 3,562 thousand) compared to 31 December 2021.

## 2. Other revenue and income – € 181,066 thousand

This item increased by € 25,035 thousand compared to 31 December 2021, when the figure was € 156,032 thousand. The following table shows a breakdown of this item:

- lower contingent assets (- € 11,831 thousand) influenced by lower allocations of energy items relative to previous years with respect to financial year 2021 (- € 23,039 thousand), partially offset set by greater contingent assets deriving from tariff components for 2021 recognised at the time of the biennial update of the 2020-2023 tariff provisions, in an amount exceeding that recognised in the respective financial statements, particularly with reference to the additional component for the cost of exceptional events and a request for users suffering economic problems to access the integrated water bonus (as a subsidy), notably lower than that allocated in the tariff by the Conference of Mayors for the years 2020 and 2021;
  - lower contributions to Cassa per i Servizi Energetici e Ambientali recognised relative to energy efficiency certificates (- € 9,293 thousand for areti, due to lower acquisitions made with respect to the previous year and valuation of a lower contribution.
- Finally, note that the change in the scope accounted for € 4,695 thousand of the increase.

## CONSOLIDATED OPERATING COSTS

At 31 December 2022 operating costs amounted to € 3,861,121 thousand (€ 2,737,035 thousand at 31 December 2021), recording

an increase of € 1,124,086 thousand (+ 41.1% compared to the previous year). The breakdown is as follows:

€ thousand	2022	2021	Change	% change
Staff costs	305,066	275,819	29,247	10.6%
Costs of materials and overhead	3,556,055	2,461,216	1,094,840	44.5%
<b>Consolidated Operating Costs</b>	<b>3,861,121</b>	<b>2,737,035</b>	<b>1,124,086</b>	<b>41.1%</b>

### 3. Personnel costs – € 305,066 thousand

€ thousand	2022	2021	Change	% change
Personnel costs including capitalised costs	499,105	469,102	30,003	6.4%
Costs capitalised	(194,039)	(193,282)	(756)	0.4%
<b>Staff costs</b>	<b>305,066</b>	<b>275,819</b>	<b>29,247</b>	<b>10.6%</b>

The increase in the cost of labour, gross of capitalised costs, is € 30,003 thousand and was in part influenced by the change in the scope of consolidation (+€ 12,800 thousand) and, for the remaining part, for the most part as a consequence of lower use of personnel on multi-year projects, the increase in salaries and wages deriving both from new hires and stabilisation carried out in 2022, as an effect of the increase in payment components and adjustment

of national collective labour contracts. Capitalised costs were in line with the previous year, increasing slightly by € 756 thousand.

The following tables show the average and actual number of staff by operating segment compared to the same period of the previous year.

#### Average number of employees

	31/12/2022	31/12/2021	Change	% change
Environment	875	615	260	42.2%
Commercial and Trading	445	427	18	4.3%
Overseas	2,474	2,238	236	10.5%
Water	3,891	3,475	416	12.0%
Energy Infrastructure	1,262	1,275	(13)	(1.0%)
Generation	92	88	4	4.6%
Engineering and Services	456	441	15	3.4%
Corporate	717	704	13	1.8%
<b>Total</b>	<b>10,211</b>	<b>9,263</b>	<b>948</b>	<b>10.2%</b>

#### End-of-period composition

	31/12/2022	31/12/2021	Change	% change
Environment	881	746	135	18.1%
Commercial and Trading	456	430	26	6.0%
Overseas	2,583	2,188	395	18.1%
Water	3,963	3,484	479	13.7%
Energy Infrastructure	1,287	1,264	23	1.8%
Generation	97	89	8	9.0%
Engineering and Services	465	444	21	4.7%
Corporate	723	703	20	2.8%
<b>Total</b>	<b>10,455</b>	<b>9,348</b>	<b>1,107</b>	<b>11.8%</b>

#### 4. Costs of materials and overheads – € 3,556,055 thousand.

This item shows an overall increase of € 1,094,840 thousand (+44.5% compared to 31 December 2021).

€ thousand	2022	2021	Change	% change
Electricity, gas, fuel	2,644,092	1,741,401	902,691	51.8%
Materials	126,697	91,690	35,007	38.2%
Services and contract work	576,958	437,233	139,726	32.0%
Concession fees	67,693	66,768	925	1.4%
Cost of leased assets	41,692	26,424	15,267	57.8%
Other operating costs	98,924	97,701	1,223	1.3%
<b>Costs of materials and overhead</b>	<b>3,556,055</b>	<b>2,461,216</b>	<b>1,094,840</b>	<b>44.5%</b>

##### Electricity, gas and fuel

€ thousand	2022	2021	Change	% change
Electricity and gas purchases and transportation	2,637,274	1,723,784	913,490	53.0%
White certificates	889	9,291	(8,402)	(90.4%)
Green certificates and CO <sub>2</sub> rights	5,929	8,326	(2,397)	(28.8%)
<b>Electricity, gas, fuel</b>	<b>2,644,092</b>	<b>1,741,401</b>	<b>902,691</b>	<b>51.8%</b>

The increase in costs to purchase and transport electricity and gas (+€ 902,691 thousand) is in line with the increase in revenues seen in the same sectors, consistent with that already described in detail in relation to price trends.

On the other hand, the reduction in white certificates is due to lower acquisitions of EECs due to lower obligations set by ARERA

and the amount of EECs already in the areti portfolio (-€ 8,020 thousand).

##### Materials

The cost of materials amounted to € 126,697 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	2022	2021	Change	% change
Purchase of materials	183,507	149,842	33,665	22.5%
Change in inventories	5,092	19,822	(14,730)	(74.3%)
Costs capitalised	(61,901)	(77,974)	16,072	(20.6%)
<b>Materials</b>	<b>126,697</b>	<b>91,690</b>	<b>35,007</b>	<b>38.2%</b>

The increase seen in the item is influenced in part by the change in the perimeter (+€ 6,876 thousand) and in part by lower capitalised costs (+€ 16,072 thousand); this increase was offset by the decrease in inventories, mainly attributable to areti and linked to the required execution of activities.



### Services and contract work

These amounted to € 576,958 thousand and increased by a total of € 139,726 thousand (the figure was € 437,233 thousand at 31 December 2021). They can be represented as follows:

€ thousand	2022	2021	Change	% change
Technical and administrative Services (including consulting and collaborations)	73,696	63,441	10,255	16.2%
Contract work	139,422	79,594	59,829	75.2%
Disposal and transport of sludge, slag, ash and waste	102,597	75,666	26,931	35.6%
Other services	77,921	67,272	10,649	15.8%
Personnel services	21,566	21,948	(382)	(1.7%)
Insurance costs	15,370	13,104	2,267	17.3%
Electricity, water and gas consumption	59,858	30,475	29,383	96.4%
Internal use of electricity	10,639	6,917	3,723	53.8%
Intragroup services and otherwise	16,328	19,788	(3,460)	(17.5%)
Telephone and data transmission costs	7,001	6,090	912	15.0%
Postal expenses	3,321	3,242	80	2.5%
Maintenance fees	12,016	14,306	(2,290)	(16.0%)
Cleaning, transport and portorage costs	7,493	7,195	297	4.1%
Advertising and sponsorship costs	15,847	15,152	695	4.6%
Corporate bodies	4,475	3,910	565	14.5%
Meter readings	3,754	4,270	(517)	(12.1%)
Bank charges	3,716	3,202	515	16.1%
Travel and accommodation expenses	2,020	1,356	664	49.0%
Seconded personnel	(234)	35	(268)	n.s.
Printing expenses	148	270	(122)	(45.0%)
<b>Services and contract work</b>	<b>576,958</b>	<b>437,233</b>	<b>139,726</b>	<b>32.0%</b>

The increase is attributable to the change in scope which accounted for €40,676 thousand of it. The remaining portion of the increase is mainly due to greater costs for energy efficiency (+€ 32,388 thousand) and smart services (+€ 18,055 thousand) projects, in line with that seen in revenues, as well as greater costs for electricity and gas consumption (+€ 29,383 thousand) essentially due to increased market prices.

### Concession fees

Concession fees totalled € 67,693 thousand, in line with the previous year and referring to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	2022	2021	Change	% change
Other	25	98	(73)	(74.5%)
Adistribuzione gas	2,842	2,787	55	2.0%
Notaresco Gas	93	93	0	0.0%
Acea Ato2	50,677	49,957	720	1.4%
Acea Ato5	3,847	3,496	351	10.0%
Acea Molise	53	52	2	3.1%
Gesesa	369	380	(11)	(2.9%)
GORI	2,420	2,439	(19)	(0.8%)
Acquedotto del Fiora	4,823	4,831	(7)	(0.1%)
Integrated Water Service	2,543	2,636	(93)	(3.5%)
<b>Total</b>	<b>67,693</b>	<b>66,768</b>	<b>925</b>	<b>1.4%</b>

For other information regarding the concessions, reference should be made to the information in the specific section entitled "Service concession report".

### Cost of leased assets

The item amounted to € 41,692 thousand, increasing by € 15,267 thousand compared to the previous year (€ 26,424 thousand at 31 December 2021); the increase is mainly attributable to the Parent Company, linked to higher costs for IT application licences for € 9,582 thousand.

In line with IFRS16, this item contains costs relating to short-term

leases and leases of modest value.

### Other operating costs

These amounted to € 98,924 thousand at 31 December 2022, an increase of € 1,223 thousand. The table below provides details of this item by type:

€ thousand	2022	2021	Change	% change
Taxes and duties	17,003	12,536	4,467	35.6%
Damages and outlays for legal disputes	8,371	8,233	139	1.7%
Contributions paid and membership fees	5,779	5,586	193	3.5%
Losses on receivables	71	71	(1)	(0.8%)
General expenses	20,892	21,782	(890)	(4.1%)
Contingent liabilities	46,808	49,492	(2,685)	(5.4%)
<b>Other operating costs</b>	<b>98,924</b>	<b>97,701</b>	<b>1,223</b>	<b>1.3%</b>

The change is mainly due to the increase seen in the item taxes and duties (+€ 4,467 thousand), influenced for the most part by the change in scope (+€ 3,712 thousand), offset by lower contingent liabilities (-€ 2,685 thousand) due to the counterbalancing effect of lower non-existent liabilities recognised by Acea Energia (-€ 24,661 thousand), mainly deriving from the recognition in the previous year of liability items deriving from the redetermination by CSEA, in line with that ordered by ARERA, of calculations to adjust items for electricity destined for enclave countries in Italy, partially offset by greater non-existent liabilities recorded by Acea Ato2 in 2021 (€ 19,993 thousand) linked to tariff components for the year 2020 recognised, at the biennial update of the 2020-2023 provisions, in an amount less than that recognised in the respective financial statements, particularly with reference to the RCARC component introduced in compliance with certain Council of State decisions on tariff calculation rules relative to the years 2012 and 2013, as well as 21 July-31 December 2011 and the

negative adjustment, which arose at the biennial adjustment of the 2020-2023 tariff provisions, consequent to lower utilisation of the supplemental water bonus by users suffering economic problems (as a subsidy) with respect to that recognised in the tariff in 2021.

### 5. Net Revenue/(Costs) from commodity risk management – € 0 thousand

At 31 December 2022, the Group had not subscribed to derivatives to hedge trading operations.

### 6. Income/(Expenses) from equity investments of a non-financial nature – € 27,897 thousand

This item represents the consolidated result according to the equity method that is included among the EBITDA components of strategic companies. The breakdown of this item is detailed below:

€ thousand	2022	2021	Change	% change
EBITDA	150,838	123,613	27,225	22.0%
Amortisation, depreciation, impairment and provisions	(108,323)	(91,916)	(16,407)	17.8%
Profit/(Loss) on equity investments	0	1	(1)	(100.0%)
Financial operations	(3,163)	(2,472)	(691)	28.0%
Taxes	(11,454)	(8,177)	(3,277)	40.1%
<b>Income from equity investments of a non-financial nature</b>	<b>27,897</b>	<b>21,048</b>	<b>6,849</b>	<b>32.5%</b>

EBITDA for these companies increased by € 27,225 thousand, while income from equity investments rose by € 6,849 thousand, mainly due to the increases recorded by Publicacqua (+€ 3,826

thousand) and Acque (+€ 2,142 thousand), partially due to lower amortisation/depreciation and partially due to contingent assets. The companies' assessments are detailed below.

€ thousand	2022	2021	Change	% change
Powertis Group	(7)	0	(7)	n.s.
Energy	395	271	124	45.6%
Acea Green	21	0	21	n.s.
Acea Sun Capital Group	977	664	312	47.0%
Ecomed	0	(14)	14	(100.0%)
Romeo Gas	760	0	760	n.s.
Acque	11,062	8,920	2,142	24.0%
Intesa Aretina	(423)	(369)	(54)	14.5%
Geal	1,104	206	898	n.s.
Nuove Acque	926	1,109	(183)	(16.5%)
Publiacqua	8,560	4,734	3,826	80.8%
Acque Servizi	251	502	(251)	(49.9%)
Umbra Acque	3,320	1,593	1,727	108.4%
Ingegnerie Toscane	950	3,432	(2,482)	(72.3%)
<b>Total</b>	<b>27,897</b>	<b>21,048</b>	<b>6,849</b>	<b>32.5%</b>

## 7. Net write-downs (write-backs) of trade receivables – € 113,370 thousand

This item increased by € 27,164 thousand compared to 31 December 2021. Impairment maintained essentially the same impact in terms of total Group revenues (2.20% vs. 2.17%); this result, in the absence of any particular issues in amounts collected during 2022, is associated, beyond certain extraordinary items, with business growth and the introduction of “stress scenario” for the main Group companies, in order to anticipate potential impairment of customer

creditworthiness that may not be identified through current performance but derives from “satellite models” based on macroeconomic and business information.

## 8. Depreciation, amortisation and provisions – € 625,799 thousand

Compared to 31 December 2021 we can note an increase of € 37,031 thousand; the details are presented below:

€ thousand	2022	2021	Change	% change
Depreciation/amortisation and impairment losses	594,636	546,626	48,010	8.8%
Provisions	31,163	42,142	(10,979)	(26.1%)
<b>Depreciation, amortisation and provisions</b>	<b>625,799</b>	<b>588,768</b>	<b>37,031</b>	<b>6.3%</b>

### Depreciation/amortisation and impairment losses

The € 48,010 thousand increase in depreciation, amortisation and impairment, of € 19,902 thousand, breaks down as follows:

€ thousand	2022	2021	Change	% change
Depreciation	171,213	162,090	9,122	5.6%
Amortisation	420,857	380,567	40,290	10.6%
Impairment losses	2,566	3,968	(1,402)	(35.3%)
<b>Depreciation/amortisation and impairment losses</b>	<b>594,636</b>	<b>546,626</b>	<b>48,010</b>	<b>8.8%</b>

The increase in this item relates to investments in the period and the ongoing entry into operation of assets with particular reference to the water segment (+€ 30,975 thousand). In this item, the change in the consolidation scope is influenced by the opposing effects deriving from the increase in depreciation and amortisation in the environment segment (+€ 11,577 thousand) partially offset by the de-

crease in depreciation and amortisation in the generation segment (-€ 8,761 thousand) as a result of the sale transaction in March 2022 (for more information please see the relevant section).

It should be noted that the item relating to intangible amortisation also includes the effect deriving from the application of IFRS16, which amounted to € 16,453 thousand.

## Provisions

Net of sums released, provisions amounted to € 31,163 thousand and are divided by type as follows:

€ thousand	2022	2021	Change	% change
Legal risks provision	2,975	4,216	(1,241)	(29.4%)
Tax provision	409	195	214	109.7%
Regulatory risks provision	4,995	5,326	(331)	(6.2%)
Fee risks provision	555	11	544	n.s.
Tenders and supplies provision	403	518	(115)	(22.1%)
Insurance deductibles provision	2,174	2,498	(323)	(12.9%)
Other risks and charges provision	6,922	7,299	(376)	(5.2%)
<b>Provisions for risks</b>	<b>18,435</b>	<b>20,063</b>	<b>(1,628)</b>	<b>(8.1%)</b>
Early retirements and redundancies provision	20,206	21,735	(1,530)	(7.0%)
Post mortem provision	288	(140)	428	n.s.
Provision for expenses payable to others	602	5,400	(4,798)	(88.9%)
<b>Expenses provision</b>	<b>21,095</b>	<b>26,995</b>	<b>(5,900)</b>	<b>(21.9%)</b>
<b>Total provisions</b>	<b>39,530</b>	<b>47,058</b>	<b>(7,528)</b>	<b>(16.0%)</b>
<b>Release of risks provisions, release of fees provisions</b>	<b>(8,367)</b>	<b>(4,916)</b>	<b>(3,451)</b>	<b>70.2%</b>
<b>Total</b>	<b>31,163</b>	<b>42,142</b>	<b>(10,979)</b>	<b>(26.1%)</b>

For more details please see note 34 “Provisions for risks and charges”.

## 9. Financial income – € 25,962 thousand

€ thousand	2022	2021	Change	% change
Interest on financial receivables	71	173	(101)	(58.7%)
Bank interest income	307	62	245	n.s.
Interest on trade receivables	10,213	8,811	1,402	15.9%
Interest on other receivables	1,883	945	938	99.2%
Financial income from discounting to present value	11,240	324	10,915	n.s.
Income from fair value hedges measurement	452	790	(337)	(42.7%)
Other income	1,796	386	1,410	n.s.
<b>Financial income</b>	<b>25,962</b>	<b>11,491</b>	<b>14,471</b>	<b>125.9%</b>

Financial income, totalling € 25,962 thousand, saw an increase of € 14,471 thousand with respect to the previous year, mainly due to greater financial income from discounting recorded by GORI

(+€ 10,682 thousand) due to the rescheduling of debt relative to the Campania Region and for greater interest on receivables due from customers (+€ 1,402 thousand).

## 10. Financial costs – € 111,670 thousand

€ thousand	2022	2021	Change	% change
Costs (Income) on Interest Rate Swaps	5,445	6,006	(561)	(9.3%)
Interest on bonds	55,823	54,401	1,422	2.6%
Interest on medium/long-term borrowings	18,345	16,190	2,155	13.3%
Interest on short-term debt	3,951	2,971	980	33.0%
Default interest and interest on deferred payments	4,173	1,966	2,207	112.3%
Interest cost net of actuarial gains and losses	1,324	456	868	190.5%
Factoring fees	14,236	5,248	8,988	171.3%
Discounting charges	3,747	3,766	(20)	(0.5%)
IFRS16 financial charges	2,211	2,518	(307)	(12.2%)
Other financial charges	1,390	3,245	(1,854)	(57.1%)
Interest payable to end users	608	1,003	(395)	(39.4%)
Foreign exchange gains (losses)	416	(382)	798	n.s.
<b>Financial charges</b>	<b>111,670</b>	<b>97,388</b>	<b>14,282</b>	<b>14.7%</b>

Financial charges, totalling € 111,670 thousand, rose by € 14,282 thousand and the change is mainly attributable to greater fees deriving from greater transfers carried out in 2022 (+€ 8,988 thousand), greater interest on arrears (+€ 2,207 thousand) for the most part attributable to Acea Energia and interest on bonds and medium/long-term debt (+€ 2,155 thousand).

The average overall all-in cost of the Acea Group's debt stood at 1.44% compared to 1.42% the previous year.

## 11. Income and costs from Equity Investments – € 17,793 thousand

€ thousand	2022	2021	Change	% change
Income from equity investments in associates	18,007	8,393	9,614	114.6%
Costs of shares in related companies	(214)	(594)	381	(64.0%)
<b>Profit/(Loss) on equity investments</b>	<b>17,793</b>	<b>7,798</b>	<b>9,995</b>	<b>128.2%</b>

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies primarily Agua Azul Bogotá. Additionally, note that the item includes recognition of net capital gains of € 16,372 thousand recognised following the

sale of a group of photovoltaic systems as part of the agreement signed with the British investment fund Equitix; for more details, please see the section on IFRS3.

## 12. Income tax – € 186,777 thousand

Estimated tax expenses for the period were € 186,777 thousand, compared to € 150,662 thousand of the previous year. The breakdown is essentially as follows:

- current taxes: € 144,983 thousand (€ 153,416 thousand at 31 December 2021);
- extraordinary solidarity contribution: pursuant to art. 37 of Italian Law Decree 21/2022 and article 1 of Law 197/2022 (so-called excess profit contribution) relative to parties that produce electricity and are involved in the resale of energy within the na-

tional boundaries: The amount due from the Group is € 38,517 thousand;

- net deferred tax liabilities/(assets): € 1,256 thousand (-€ 1,398 thousand at 31 December 2021).

The increase in absolute value of taxes recorded during the period is the direct consequence of the establishment in 2022 of the “excess profit contribution”. The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated profit before tax.

€ thousand	2022	%	2021	%
Profit before tax from continuing and discontinued operations	497,937		503,002	
Expected tax charge at 24% on profit before tax	119,505	24.0%	120,720	24.0%
Net deferred taxes	1,256	0.3%	(1,398)	(0.3%)
Permanent differences	(8,835)	(1.8%)	(7,760)	(1.5%)
IRES for the period	111,926	22.5%	111,562	22.2%
RAP (regional income tax)	36,334	7.3%	39,100	7.8%
Solidarity contributions pursuant to art. 37 of Decree Law 21/2022 and Law 197/2022	38,517	7.7%	0	n.s.
<b>Total taxes</b>	<b>186,777</b>	<b>37.5%</b>	<b>150,662</b>	<b>30.0%</b>

The tax rate for the year is 37.5% (30.0% at 31 December 2021), whereas the normalised tax rate (less the solidarity contribution) is 29.8%.

## 13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to Acea by the weighted average number of Acea shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 31 December 2022. Diluted profit per share is calculated dividing

profit for the financial year attributable to Acea by the weighted average number of Acea shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 31 December 2022 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share. Earnings per share, determined in accordance with IAS 33, are shown below:

	31/12/2022	31/12/2021	Change
Net profit attributable to the Group (€/000)	279,725	313,309	(33,585)
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	279,725	313,309	(33,585)
<b>Weighted average number of ordinary shares for the purpose of determining earnings per share</b>			
- basic (B)	212,548	212,548	0
- basic (C)	212,548	212,548	0
<b>Earnings per share (€)</b>			
- basic (A/B)	1.31605	1.47406	(0.15801)
- diluted (A/C)	1.31605	1.47406	(0.15801)

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

At 31 December 2022 these amounted to € 11,338,533 thousand (€ 10,628,886 thousand at 31 December 2021), recording an in-

crease of € 709,646 thousand or 6.7% from the previous year; they are broken down as follows.

€ thousand	31/12/2022	31/12/2021	Change	% change
Non-current assets	8,560,435	7,801,652	758,783	9.7%
Current assets	2,759,022	2,658,809	100,213	3.8%
Non-current assets destined for sale	19,076	168,425	(149,350)	(88.7%)
<b>Total Assets</b>	<b>11,338,533</b>	<b>10,628,886</b>	<b>709,646</b>	<b>6.7%</b>

## Non-current assets – € 8,560,435 thousand

### 14. Property, plant and equipment – € 3,144,250 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 79.1% of property, plant and equipment, € 2,485,410 thousand.

The remaining 20.9% refers to:

- facilities belonging to the Environment Segment companies for € 340,105 thousand;

- infrastructures related to the Parent Company for € 104,070 thousand;
- infrastructures related to the Energy Segment for € 159,297 thousand;
- infrastructure related to the Overseas Segment for € 35,764 thousand;
- facilities belonging to the Engineering and Services Area for € 10,607 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total property, plant and equipment
Initial historic cost	594,397	3,689,148	1,096,033	195,507	82,776	10,938	5,668,800
Assets held for sale	0	(6,142)	0	0	(5,767)	0	(11,908)
Investments/Acquisitions	16,572	172,394	77,727	13,790	62,031	2,840	345,354
Disposals/Sales	(404)	(14,547)	(25,734)	(932)	(2,982)	(669)	(45,268)
Changes in consolidation scope	30,728	210,053	7,624	7,220	(7,990)	0	247,636
Other changes	9,966	(170,787)	(20,505)	(13,776)	(29,819)	931	(223,989)
<b>Final historic cost</b>	<b>651,258</b>	<b>3,880,120</b>	<b>1,135,146</b>	<b>201,810</b>	<b>98,250</b>	<b>14,040</b>	<b>5,980,623</b>
Initial amortisation provision	(177,726)	(1,992,535)	(413,377)	(140,591)	0	(6,040)	(2,730,269)
Depreciation and amortisation	(13,738)	(94,910)	(49,603)	(12,316)	0	(588)	(171,155)
Assets held for sale	0	225	0	0	0	0	225
Investments/Acquisitions	0	0	0	0	0	0	0
Disposals/Sales	8	8,157	24,637	715	0	525	34,042
Changes in consolidation scope	(9,399)	(120,711)	(4,508)	(5,636)	0	0	(140,254)
Other changes	5,712	143,787	8,969	12,565	0	4	171,038
<b>Final amortisation provision</b>	<b>(195,142)</b>	<b>(2,055,987)</b>	<b>(433,881)</b>	<b>(145,263)</b>	<b>0</b>	<b>(6,100)</b>	<b>(2,836,373)</b>
<b>Net carrying amount</b>	<b>456,116</b>	<b>1,824,133</b>	<b>701,264</b>	<b>56,546</b>	<b>98,250</b>	<b>7,940</b>	<b>3,144,250</b>



Investments totalled € 345,354 thousand. These refer mainly to those made by:

- areti for € 231,378 thousand for the renewal and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment;
- Acea Ambiente for € 26,137 thousand for plant improvements carried out at the plants in San Vittore and Aprilia, the WTE plant in Terni and in Monterotondo Marittima;
- Acea Produzione for € 9,721 thousand, mainly for the extraordinary maintenance work at the Tor di Valle and Montemartini thermal power stations, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome;
- Acea Solar for € 15,175 thousand for the construction of photovoltaic plants on both agricultural and industrial land;
- Acea for € 12,016 thousand mainly for extraordinary maintenance at offices housing company activities.

The change in the scope of consolidation increased property, plant and equipment by € 107,832 thousand and mainly refers to the

acquisitions of ASM Terni (€ 72,459 thousand), the business unit of Romeo Gas incorporated in Adistribuzione gas as of 1 October 2022 (€ 22,162 thousand), Tecnoservizi (€ 5,601 thousand) and S.E.R. Plast (€ 3,785 thousand).

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets.

### 15. Real estate investments – € 2,256 thousand

Real estate Investments primarily include land and buildings not used in operations and held for rental. The decrease of € 58 thousand compared to last year derives from depreciation.

### 16. Goodwill – € 255,048 thousand

At 31 December 2022 goodwill amounted to € 255,048 thousand (€ 251,477 thousand at 31 December 2021). The change compared to 31 December 2021 refers mainly to the definitive and provisional allocation of the price paid for the Business Combinations for new acquisitions. For more details please see the specific section.

Goodwill is attributed to CGUs that benefit from the synergies deriving from the acquisition. The table below shows the goodwill per CGU aggregated according to the Group's industrial segments.

€ thousand	31/12/2021	Definitive allocation	Exchange delta	Provisional allocation	Other changes	31/12/2022
Environment	84,729	(406)	0	3,601	(8,700)	79,224
Commercial and Trading	47,716	0	0	0	0	47,716
Generation	91,618	0	0	0	0	91,618
Water and Gas	7,506	0	0	8,437	0	15,942
Overseas	4,312	0	639	0	0	4,951
Engineering and Services	15,597	0	0	0	0	15,597
<b>Goodwill</b>	<b>251,477</b>	<b>(406)</b>	<b>639</b>	<b>12,038</b>	<b>(8,700)</b>	<b>255,048</b>

In order to verify the book value of the CGUs, as part of the impairment procedure the Group provides an estimate of an interval relating to the recoverable value of the assets in terms of value in use ("VIU"), in continuity with the previous year, i.e. using the Discounted Cash Flow (DCF) method, which identifies the ability to generate cash flows as the fundamental element for the purposes of assessing the entity of reference. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital is calculated.

The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each CGU subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors, updated to take into account regulatory developments between the date of approval for the Business Plan and that of this financial statements by the Acea SpA Board of Directors, and the value of the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation

and/or agreements with the regulatory authorities;

- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of energy scenarios developed in line with the current market situation;
- the evolution of the Group's costs over the course of the plan was developed by formulating "natural" forecasts.

Terminal value is calculated:

- for Acea Produzione (Generation Segment) using the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;
- for areti (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or

using the regulatory WACC for regulated business. Market WACC are rising due to the most recent monetary policies and uncertainties due to the continuation of the Ukraine war, while those handled in accordance with the respective regulatory periods

are in line with respect to those of the previous year.

Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Sector	Recoverable value	WACC	Terminal value	Cash flow period
Water	Value in use	4.7%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Gas	Value in use	5.3%	Terminal value equal to RAB	End of the concession
Energy Infrastructure	Value in use	5.0%	Regulatory Asset Base (RAB)	End of the concession
Commercial and Trading	Value in use	7.2%	Perpetuity	Until 2024
Generation	Value in use	6.5%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Engineering and Services	Value in use	4.7%	NIC at the end of the plants' useful life	End of Water Segment Facilities concession
Overseas	Value in use	8.0%/11.7%	NIC at the end of the concession	End of the concession
Environment	Value in use	6.6%	NIC at the end of the plants' useful life	Plants' useful life

Additionally, with regards to that issued by ESMA, referenced by CONSOB and better clarified in the guidelines in the OIV discussion paper on development of impairment tests for non-financial assets (IAS 36) following the war in Ukraine, Acea has developed risk analysis using quantitative instruments, including application of an econometric model to estimate the relation between the main economic/financial amounts of interest to the various companies and plants of Acea, and in particular the margins and main macro-economic variables, as well as Monte Carlo analysis useful to understanding the relationships between individual key variables and supporting the definition of possible alternative scenarios and, more generally, the level of volatility in forecasts. In addition to the impairment indicated above, there were also possible losses identified only under certain scenarios which, from a statistical point of view are not "more likely than not" but for which it was still held appropriate to monitor developments. Specifically, the CGUs in question are Acquedotto del Fiora, Adistribuzionegaz, Acea Molise, Ecogena, Energia, MEG and the plants of Monterotondo (Acea Ambiente), Tor di Valle (Acea Produzione) and Porta di Roma (Ecogena). The results of the impairment test indicated total writedowns of € 14,400 thousand, with € 8,600 thousand relative to the Environment CGU and € 5,803 thousand to the Acea Ato5 CGU. With reference to this latter, also note that as a consequence of the approval of the 2022-2023 tariff update, the directors of Acea Ato5 confirmed the ongoing significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the outcome of the Technical Panel with the Area Authority intended to define the mutual items and the acceptance of the new request for economic/financial rebalance currently being prepared for reproposal by the company. Also see that described in the section "Trend of operating segments - Industrial segment - Water" in the Report on Operations.

In the face of the financial imbalance which arose with the approval of the recent tariff provisions, further aggravated by the national energy situation, the administrations of the subsidiaries continued to adopt actions to improve the financial positions of their companies, including:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- actions to improve efficiency in credit management with the aim of reducing collection times for utility invoices and, consequently, improving collection percentages;
- continuation of actions to contain operating costs as a consequence of the lower revenues coming from the Economic Financial Plan approved by the OTAA5 Conference of Mayors;
- the continuation of an appeal against Deliberation No. 1 made by the Conference of Mayors, approving the tariff proposal for 2020-2023;
- continuation of dialogue with the Area Authority to define reciprocal items, by reconfirming the validity of the settlement proposal adopted by the Conciliation Board established with the Area Authority and its specific content, as well as defining a repayment plan with the OTS for the items excluded by the Conciliation Board, compatible with the current tariff situation;
- the reproposing of a new economic/financial rebalancing request as established in the regulations (based on that indicated in articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment in resolution 656/2015/ldr), illustrating the causes and extent of economic/financial imbalance in OTAA5's management of the IWS and the proposing of hypothesised rebalancing measures, including a request to access financial equalisation measures.

The main reason behind the impairment is substantially the financial deficit generated for the manager by the previous tariff provisions, in particular due to non-recognition of certain invoicing dates for previous adjustments, as well as non-recognition of costs and tariff changes not compatible with the level of investments and operating expenses over the period of the plan, at times leading to legal disputes not yet resolved, in addition to the Conciliation Board established with the Area Authority in previous years and at present in stasis while awaiting the results of criminal proceeding 2031/2016, aspects which have penalised

the work capital profile in the first years of the plan. No proposal for payment of financial debts was provided for in relation to Acea.

In consideration of the imbalance determined by the recent tariff provisions, the Company's Directors have approved a multi-year economic/financial plan established for the impairment test which, in particular, reflects the content of the request for economic/financial rebalancing currently being prepared by the Company, pursuant to that established in the water tariff regulations.

In particular, beyond the relevant assumptions indicated, the additional main assumptions that were used to determine cash flows, consistent with the structure of the stated rebalancing request, the results of the impairment test are as follows:

- development of revenues determined based on the tariff trends deriving from national regulations and/or agreements with the area authorities, as well as estimates of adjustment items, in the absence of contributions;
- recognition of the arrears tariff component (Cmor) at 7.1% for 2023-2025 and 2028-2033 and equal to the real unpaid ratio in 2026-2027;
- operating efficiency over the course of the plan equal to € 4.4 million starting in 2024;
- price trends for electricity and gas sold and purchased on the free market developed on the basis of the 2023 budget approved by the Company and energy scenarios developed in line with the current market situation;
- invoicing of tariff adjustments by the concession deadline, with the exception of tariff increase limits established under the regulations.

Given the various variables which affect the Company's economic/financial plan, sensitivity analysis was done based on whether the efficiency objectives are achieved, as established in the subsidiary's

new business plan, and on whether the tariff component for arrears is recognised. Below are the results of the sensitivity analysis, nothing that the "basic case" for the impairment test coincides with the situation highlighted in orange which envisages 100% of cost savings objectives are achieved (€ 4.4 million starting in 2024) and recognition of the arrears component at 7.1% in the years 2023-2025 and 2028-2033; in the years 2026-2027, the hypothesis is recognition equal to the real unpaid ratio.

To that end, if on one hand achieving the cost savings objectives is held probable in consideration of the operating efficiency margin which can still be achieved with the actions partially already implemented by management in recent years, on the other recognition of the stated arrears levels is also deemed probable pursuant to that established in the current regulations (article 28.3, Annex A, ARERA resolution 580/2019/R/ldr), given that it is necessary to maintain economic/financial balance for management. In fact, Acea Ato5 confirmed this need:

- in the tariff proposal annexed to the formal warning sent to ARERA on 30 November 2022;
- in the rebalancing request presented on 13 December 2021, the terms of which passed without results due to inaction by the Area Authority;
- in the rebalancing request currently being updated.

Therefore, given the circumstances, a scenario worse than the assessments made and summarised in the base case identified cannot be hypothesised, given that in the case the aforementioned recognition goals are not achieved, the Area Authority cannot avoid identifying alternative methods, including the request to access financial balancing measures called for in the regulations, in order to guarantee the required economic/financial balance for the Manager and regular management of the service.

Cost efficiency hypotheses (not pass through) vs. base 2022									
€ thousand	0.0	1.0	2.0	3.0	4.0	4.4	5.0	6.0	7.0
Cmor recognition hypotheses 3%	-52.4	-48.8	-45.1	-41.5	-37.9	-36.4	-34.2	-30.6	-27.0
Cmor recognition hypotheses 7.1%	-36.0	-32.4	-28.8	-25.1	-21.5	-20.0	-17.9	-14.2	-10.6
Cmor recognition hypotheses equal to real unpaid *	-21.8	-18.2	-14.5	-10.9	-7.3	-5.8	-3.6	0.0	3.7

\* In the years 2026-2027, realignment to 7.1% Starting from 2028 until 2033.

## 17. Concessions and Rights on Infrastructure – € 3,470,906 thousand

This item mainly refers to the Water Services and essentially includes:

- the values of concessions received from the Municipalities (€ 102,946 thousand);
- the overall amount of all tangible infrastructures for the management of water and gas distribution services (€ 3,249,916 thousand), in accordance with IFRIC12.

Concessions refer for € 79,576 thousand to the thirty-year con-

cession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between Acea and Roma Capitale and the term of the Management Agreement signed by the Mayors in Ato2. The balance is completed by the thirty-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 5,295 thousand and the Consorcio Agua Azul for € 11,504 thousand.

Capital expenditure for the period relating to Infrastructure rights amounted to € 568,404 thousand and mainly refers to:

- Acea Ato2 for € 435,606 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- Acea Ato5 for € 32,595 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- GORI for € 68,360 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service;
- AdF for € 35,591 thousand, mainly due to reclamation and ex-

traordinary maintenance, optimisation of networks/plants and new works, as well as the increased efficiency for the networks;

- SII for € 14,304 thousand mainly for modernisation and expansion of the infrastructures, and for reordering and improvement of the waste collection and treatment system.

The item **Other changes** mainly includes reclassifications as assets previously in progress began operating and the combination of infrastructure for the gas distribution service belonging to Adistribuzione gas.

## 18. Intangible fixed assets – € 420,191 thousand

The item has a net book value as at 31 December 2022 of € 420,191 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Contract Costs	Investments in progress and advances	Total
<b>Net opening balance</b>	<b>203,466</b>	<b>131,729</b>	<b>46,107</b>	<b>30,305</b>	<b>411,607</b>
Depreciation/amortisation and impairment losses	(60,961)	(18,531)	(21,369)	0	(100,860)
Assets held for sale	0	0	0	0	0
Investments/Acquisitions	67,440	33,236	1,414	11,679	113,770
Disposals/Sales	(553)	(95)	0	(1,185)	(1,833)
Changes in consolidation scope	112	2,994	0	1,352	4,457
Other changes	8,975	(19,779)	30,657	(26,802)	(6,950)
<b>Net closing balance</b>	<b>218,479</b>	<b>129,554</b>	<b>56,809</b>	<b>15,348</b>	<b>420,191</b>

The item saw a decrease of € 8,584 thousand, deriving from investments incurred during the period (€ 113,770 thousand), net of amortisation and reductions in value (€ 100,860 thousand) and reclassifications.

Investments for the period are mainly attributable to:

- areti for € 35,866 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 42,433 thousand, for the most part associated with the costs of acquiring new customers pursuant to IFRS15 (€ 28,564 thousand) and implementation of the new CRM, as well as improvements made to the invoicing, credit and decision-making support systems for development and pro-

gressive projects linked to integrating systems on the new CRM platform;

- the Parent Company for € 22,227 thousand for the purchase and implementation of software to support the development of IT platform management systems, the corporate security and the administrative management.

## 19. Right of use – € 90,397 thousand

This item includes rights of use on assets of others which are recognised as leased assets and are therefore amortised over the duration of the contracts in line with the international standard IFRS16. As at 31 December 2022 the net book value of these assets is € 90,397 thousand and the nature of these assets can be represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Land and buildings	67,150	36,415	30,734	84.4%
Cars and motor vehicles	9,440	6,154	3,286	53.4%
Machinery and equipment	11,453	8,599	2,854	33.2%
Distribution cabins	1,877	1,864	14	0.7%
Other	477	63	414	n.s.
<b>Total</b>	<b>90,397</b>	<b>53,096</b>	<b>37,301</b>	<b>70.3%</b>

The book value of the assets consisting of the right of use at 31 December 2022 for each class of underlying asset and the related changes in the period are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
<b>Opening balances</b>	<b>36,415</b>	<b>6,154</b>	<b>8,599</b>	<b>1,864</b>	<b>63</b>	<b>53,096</b>
Acquisitions	804	3,908	3,161	0	122	7,994
New contracts	42,959	4,164	1,399	258	604	49,385
Remeasurement	(3,623)	(290)	466	(5)	(169)	(3,621)
Depreciation	(9,406)	(4,497)	(2,172)	(239)	(143)	(16,456)
<b>Total</b>	<b>67,150</b>	<b>9,440</b>	<b>11,453</b>	<b>1,877</b>	<b>477</b>	<b>90,397</b>

The increase of € 37,301 thousand is mainly due to the signing of new contracts in 2022, mainly with reference to surface rights for the photovoltaic companies.

With regard to extension or termination options, it should be noted that for regulated businesses, with regard to contracts relating to concession activities, the estimated term for contract renewals is the year of the end of the concession itself. There are also no guarantees on residual value, variable payments and leases not yet signed, for a significant amount, to which the Group has committed itself.

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item “leases and rentals” in line with the requirements of IFRS16 and in continuity with previous years.

## 20. Equity investments in unconsolidated subsidiaries and associates – € 348,885 thousand

Company name	31/12/2021	Changes in con- of solidation scope	Gains/losses from valuation of shareholders' equity	Increase/ Decrease for dividends	Currency translation differences	OCI	Other changes and reclassifications	31/12/2022
Acque Group	107,651	0	11,314	1,564	0	2,170	1,978	124,677
GEAL	8,063	0	1,104	29	0	16	76	9,288
Nuove Acque and Intesa Aretina	12,871	0	504	(427)	0	161	(29)	13,079
Publiacqua	110,455	0	8,560	(2,345)	0	189	991	117,850
Umbra Acque	21,225	0	3,320	132	0	2,405	366	27,447
Ingegnerie Toscane	13,478	109	950	(2,400)	0	29	(2,568)	9,597
Energy	12,920	0	395	0	0	0	0	13,316
Belaria	0	(58)	58	0	0	0	0	0
Picena Ambiente	3,088	0	0	0	0	0	0	3,088
Acea Sun Capital	0	12,294	939	52	0	1,565	1,229	16,079
Romeo Gas	0	(760)	760	0	0	0	0	0
Powertis Group	0	9,103	(7)	0	0	0	0	9,096
Aguazul Bogotá	1,022	0	145	0	(214)	0	(128)	825
Other equity investments	1,466	3,884	0	0	0	0	(808)	4,541
<b>Total</b>	<b>292,239</b>	<b>24,571</b>	<b>28,042</b>	<b>(3,395)</b>	<b>(214)</b>	<b>6,536</b>	<b>1,106</b>	<b>348,885</b>

The changes that occurred during the period refer primarily to the valuation of the results of companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 28,042 thousand. These valuations are mainly reflected in the item “Income/(Expenses) from equity investments of a non-financial nature” and the rest in the item “Income/Expenses

from equity investments”. The remaining change is attributable to the change in scope (+€ 24,571 thousand) for the consolidation of Acea Sun Capital as of the end of March 2022 and the photovoltaic companies of the Powertis Group, as well as changes in other comprehensive income (+€ 6,536 thousand).

## 31/12/2022

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	244,400	42,352	(43,716)	(122,628)	(78,535)	(11,062)	(88,032)
Acque Servizi	823	6,629	(1,004)	(2,616)	(10,833)	(251)	908
Acea Sun Capital Group	100,810	10,103	(64,757)	(9,808)	(9,380)	(939)	(40,416)
Powertis Group	2,281	1,027	(7)	(55)	(4)	7	333
Intesa Aretina	13,188	308	0	(96)	0	423	192
DropMI	2,565	0	0	0	0	0	0
Ecomed	3	361	(20)	(420)	0	0	157
Energia	6,386	914	0	(779)	(1,547)	(395)	140
Geal	19,633	5,196	(9,009)	(6,130)	(11,820)	(1,104)	(3,030)
Ingegnerie Toscane	1,482	10,332	(521)	(5,233)	(9,691)	(950)	(1,139)
Nuove Acque	18,438	5,772	(7,635)	(2,739)	(9,343)	(926)	(3,096)
Publiacqua	220,777	68,285	(77,452)	(92,395)	(109,401)	(8,560)	(58,011)
Umbria Distribuzione Gas	5,499	4,734	(3,147)	(5,255)	0	0	63
Umbra Acque	75,171	19,158	(44,196)	(24,254)	(46,951)	(3,320)	(22,564)

## 31/12/2021

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	239,699	34,904	(128,900)	(40,174)	(76,549)	(8,920)	(90,064)
Intesa Aretina	12,232	279	0	(59)	0	369	205
Belaria	3,228	856	(3,535)	(412)	(747)	(664)	(3,250)
Ecomed	3	361	(20)	(420)	0	14	157
Energia	4,973	1,504	0	(493)	(1,635)	(271)	1,154
Geal	20,461	5,757	(10,773)	(6,888)	(9,562)	(206)	(4,904)
Ingegnerie Toscane	1,614	11,627	(611)	(5,180)	(11,980)	(3,432)	(1,139)
Nuove Acque	17,907	5,857	(7,799)	(2,895)	(9,591)	(1,109)	(3,799)
Publiacqua	234,879	53,942	(129,806)	(46,308)	(105,261)	(4,734)	(76,312)
Acque Servizi	777	8,262	(872)	(4,152)	(11,235)	(502)	(671)
Umbra Acque	68,648	11,476	(45,290)	(14,857)	(33,875)	(1,593)	(21,995)

**21. Other equity investments – € 3,007 thousand**

These total € 3,007 thousand (they were € 2,980 thousand at 31 December 2021) and are composed of investments in shareholder securities that do not represent control, association or joint control.

**22. Deferred tax assets – € 179,823 thousand**

At 31 December 2022, deferred tax assets, net of deferred tax liabilities, amounted to € 179,823 thousand (€ 202,606 thousand at 31 December 2021). Deferred tax assets are mainly made up of the following: **i)** € 36,725 thousand for the provision for tax risks (€ 36,854 thousand as at 31 December 2021); **ii)** € 68,543 thousand to impairment of receivables (€ 68,367 thousand as at

31 December 2021); **iii)** € 136,519 thousand for the amortisation/depreciation of intangible assets and property, plant and equipment (€ 129,434 thousand as at 31 December 2021); **iv)** € 12,725 thousand to defined benefit and defined contribution plans (€ 11,097 thousand as at 31 December 2021); **v)** € 9,100 thousand to the fair value measurement of commodities and other financial instruments (€ 10,008 thousand as at 31 December 2021).

Provisions for deferred taxes include in particular the deferred taxes tied to differences existing between the economic-technical amortisation rates applied to depreciable assets and tax portions. Uses in the period totalling € 11,935 thousand and allocations amounting to € 35,355 thousand contributed to this item.

The following table details the changes in this item.

€ thousand	31/12/2021			31/12/2022			
	Balance	Changes in consolidation scope	Adjustments and reclassifications	Changes in shareholders' equity	Uses	IRES/IRAP provisions	Balance
<b>Prepaid taxes</b>							
Tax losses	105	0	(0)	0	(38)	0	67
Remuneration of BoD members	45	0	0	0	(16)	33	61
Provisions for risks and charges	36,854	0	(0)	268	(10,648)	10,252	36,725
Impairments of receivables and equity investments	68,367	678	(678)	1,647	(12,132)	10,661	68,543
Depreciation and amortisation	129,434	4,014	67	2,974	(13,743)	13,772	136,519
Defined benefit and defined contribution plans	11,097	(149)	152	182	(898)	2,341	12,725
Tax assets on consolidation adjustments	4	0	0	3	(1)	(3)	3
Fair value commodities and other financial instruments	10,008	0	0	(908)	0	0	9,100
Others	58,399	1,444	(1,444)	1,867	(7,344)	3,567	56,489
<b>Total</b>	<b>314,312</b>	<b>5,987</b>	<b>(1,902)</b>	<b>6,032</b>	<b>(44,820)</b>	<b>40,623</b>	<b>320,232</b>
<b>Deferred taxes</b>							
Depreciation and amortisation	48,765	5,255	(8,937)	16,460	(8,798)	6,225	58,969
Defined benefit and defined contribution plans	22,687	624	(624)	1,019	(12)	484	24,178
Fair value commodities and other financial instruments	10,615	0	0	17,632	(1,099)	15	27,164
Others	29,640	0	0	244	(2,026)	2,240	30,098
<b>Total</b>	<b>111,707</b>	<b>5,879</b>	<b>(9,562)</b>	<b>35,355</b>	<b>(11,935)</b>	<b>8,965</b>	<b>140,409</b>
<b>Net</b>	<b>202,606</b>	<b>108</b>	<b>7,660</b>	<b>(29,323)</b>	<b>(32,885)</b>	<b>31,658</b>	<b>179,823</b>

The Group recognised deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the financial statements can be recovered.

### 23. Non-current financial assets – € 30,531 thousand

These amounted to € 30,531 thousand (€ 22,549 thousand at 31 December 2021) and recorded an increase of € 7,982 thousand, mainly attributable to Acquedotto del Fiora (+€ 5,462 thousand), GORI (+€ 6,580 thousand) and IWS (+€ 1,644 thousand)

due to recognition of the positive fair value of derivatives used to cover existing bank loans, offset partially by the parent company (-€ 5,803 thousand) in relation to the public lighting service, including re-qualification of systems, energy saving, legislative compliance and technological innovation, which will be paid to Acea, for an amount equal to the fiscal amortisation, after financial year 2023, in accordance with what is agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

### 24. Other non-current assets – € 615,144 thousand

Other non-current assets at 31 December 2022 are composed as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Other receivables, receivables from subsidiaries	15,155	1,813	13,342	n.s.
Advances and deposits	2,110	948	1,161	122.5%
Other receivables	0	27	(27)	n.s.
Long-term receivables for tariff adjustments	469,552	443,001	26,552	6.0%
Long-term receivables for regulatory lag	114,947	116,712	(1,765)	(1.5%)
Accrued income and prepayments	13,380	13,564	(184)	(1.4%)
<b>Other assets</b>	<b>615,144</b>	<b>576,065</b>	<b>39,078</b>	<b>6.8%</b>



This item includes long-term receivables for tariff adjustments for € 469,552 thousand (€ 443,001 thousand at 31 December 2021) of the water companies, while € 114,947 thousand (€ 116,712 thousand at 31 December 2021) represents the long-

term portion of the receivables registered in areti for regulatory lag.

### Current assets - € 2,759,022 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Inventories	104,507	86,406	18,101	20.9%
Trade receivables	1,267,445	1,071,644	195,802	18.3%
Other current assets	458,780	387,813	70,967	18.3%
Current tax assets	26,296	24,183	2,114	8.7%
Current financial assets	342,085	407,944	(65,858)	(16.1%)
Cash and cash equivalents	559,908	680,820	(120,912)	(17.8%)
<b>Current assets</b>	<b>2,759,022</b>	<b>2,658,809</b>	<b>100,213</b>	<b>3.8%</b>

### 25. Inventories – € 104,507 thousand

The item inventories amounted to € 104,507 thousand (€ 86,406 thousand at 31 December 2021) and shows an increase of € 18,101 thousand, attributable mainly to SIMAM (+€ 8,085 thousand), areti (+€ 3,194 thousand) and Acea Innovation (+€ 1,673 thousand). The change in the scope of consolidation contributed € 3,183 thousand to the increase, mainly through consolidation of

ASM Terni (+€ 2,034 thousand).

### 26. Trade Receivables – € 1,267,445 thousand

These amounted to € 1,267,445 thousand, recording an increase of € 195,802 thousand compared to 31 December 2021, when the figure was € 1,071,644 thousand. The breakdown for the item is provided below:

€ thousand	31/12/2022	31/12/2021	Change	% change
Trade receivables	1,216,099	1,026,971	189,128	18.4%
Receivables due from the Parent Company	37,652	34,472	3,180	9.2%
Receivables from subsidiaries and associates	13,694	10,201	3,493	34.2%
<b>Trade receivables</b>	<b>1,267,445</b>	<b>1,071,644</b>	<b>195,802</b>	<b>18.3%</b>

### Trade receivables

These amounted to € 1,216,099 thousand, an increase of € 189,128 thousand compared to 31 December 2021 and are represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables due from end users for bills issued	362,675	366,296	(3,621)	(1.0%)
Receivables due from end users for bills to be issued	641,181	503,261	137,920	27.4%
Receivables due from non-user customers for bills issued	158,456	103,152	55,304	53.6%
Receivables due from non-user customers for bills to be issued	53,729	54,203	(474)	(0.9%)
Other current receivables and assets	59	59	0	0
<b>Trade receivables</b>	<b>1,216,099</b>	<b>1,026,971</b>	<b>189,128</b>	<b>18.4%</b>

Receivables are shown net of the Provision for doubtful receivables, which at 31 December 2022 amounted to € 615,539 thousand and increased by € 20,367 thousand compared to the previous year, mainly due to greater provisioning (GORI +€ 12,752 thousand,

Acea Ato2 +€ 5,255 thousand), partially offset by uses during the period, also due to the effects of the sale of non-performing receivables, which amounted to € 34,342 thousand at 31 December 2022.

The performance of receivables, both gross and net of the provision for the impairment of receivables, is shown below.

€ million	31/12/2022			31/12/2021			Change		
	Gross receivables (A)	Provision for write-downs (B)	Net receivables	Gross receivables (C)	Provision for write-downs (D)	Net receivables	Gross receivables (A – C)	Change Provision for write-downs (B – D)	Net receivables
Environment	77,302	(3,001)	74,301	73,335	(4,762)	68,573	3,968	1,760	5,728
Corporate	3,512	(2,156)	1,356	2,758	(2,124)	634	754	(32)	722
Commercial and Trading	632,226	(145,883)	486,342	479,144	(173,095)	306,048	153,082	27,212	180,294
Overseas	32,652	(21,540)	11,113	26,478	(18,341)	8,137	6,174	(3,199)	2,975
Generation	27,513	(5,901)	21,612	25,162	(5,893)	19,269	2,351	(8)	2,343
Water	831,301	(344,260)	487,041	782,980	(301,359)	481,620	48,322	(42,901)	5,421
Engineering and Services	8,781	(1,099)	7,682	9,537	(1,073)	8,464	(756)	(26)	(782)
Energy Infrastructure	218,351	(91,699)	126,653	222,751	(88,525)	134,226	(4,400)	(3,173)	(7,573)
<b>Total</b>	<b>1,831,638</b>	<b>(615,539)</b>	<b>1,216,099</b>	<b>1,622,144</b>	<b>(595,173)</b>	<b>1,026,971</b>	<b>209,495</b>	<b>(20,367)</b>	<b>189,128</b>

### Environment

These totalled € 74,301 thousand, up by € 5,728 thousand compared to 31 December 2021. The increase is in large part due to the change in the scope of consolidation (+€ 8,969 thousand), mainly due to consolidation of Tecnoservizi (+€ 7,885 thousand) and S.E.R. Plast (+€ 1,084 thousand). Also note the increase recorded by Deco (+€ 3,920 thousand) and the reduction of Acea Ambiente (- € 8,265 thousand).

### Commercial and Trading

Receivables in this segment amounted to € 486,342 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The increase compared to 31 December 2021 was € 180,294 thousand, mainly attributable to Acea Energia (+€ 141,039 thousand) and Acea Innovation (+€ 38,186 thousand), partially offset by the reduction in receivables recognised by Cesap vendita gas (- € 1,881 thousand). In 2022, Acea Energia transferred receivables without recourse for a total of € 522,707 thousand and Acea Innovation transferred public administration receivables for € 10,344 thousand.

### Overseas

Totalling € 11,113 thousand, increasing by € 2,975 thousand, partly due to effect of currency exchanges compared to 31 December 2021.

### Water

These totalled € 487,041 thousand, recording an increase of € 5,421 thousand compared to 31 December 2021. The increase is mainly due to the consolidation of ASM Terni (+€ 51,683 thousand) partially offset by AdF (-€ 18,086 thousand), GORI (-€ 12,219 thousand), Acea Ato5 (-€ 6,182 thousand), IWS (-€ 3,873 thousand) and Adistribuzione gas (-€ 2,015 thousand). These decreases are attributable to water companies, linked to the effects of the transactions to dispose of non-performing receivables carried out during 2022. In particular, during the period Acea Ato2 receivables were assigned without recourse for a total of € 387,151 thousand, of which € 28,541 thousand due from the public administration, Acea Ato5 receivables for € 2,218 thousand and GORI

receivables for € 14,444 thousand, of which € 6,680 thousand from the public administration.

### Energy Infrastructure

These stand at € 126,653 thousand with a decrease of € 7,573 thousand compared to 31 December 2021, almost entirely attributable to areti. In 2022, areti receivables totalling € 395,763 thousand were transferred without recourse, € 264,486 thousand to the Public Administration.

### Generation

These totalled € 21,612 thousand, up by € 2,343 thousand compared to 31 December 2021. The change refers mainly to Acea Produzione for € 1,343 thousand and to Ecogena for € 795 thousand.

### Engineering and Services

These totalled € 7,682 thousand, a decrease of € 782 thousand compared to 31 December 2021, mainly due to SIMAM (+€ 3,874 thousand, only partially offset by TWS (+€ 2,644).

### Parent Company

These totalled € 1,356 thousand, recording an increase of € 722 thousand compared to 31 December 2021.

### Receivables due from the Parent Company Roma Capitale

As regards relations with Roma Capitale, the net balance at 31 December 2022 was € 1,714 thousand receivable for the Group (the payable balance at 31 December 2021 was € 32,177 thousand).

Trade and financial receivables recorded an overall increase of € 3,108 thousand compared to the previous year, mainly due to accrual in the period and collections. The main changes in the year are as follows:

- higher receivables for Acea Ato2 for the supply of water for € 51,292 thousand;
- higher receivables referable to the Public Lighting service for € 53,408 thousand;
- collection/offset of receivables of Public Lighting for € 56,516 thousand;

- collection/offset of receivables of Acea Ato2 for € 48,506 thousand.

Payables decreased by € 33,819 thousand compared to the previous year; the main changes during the period are as follows:

- higher payables due to the recognition of Acea stock dividends for 2021 for € 92,319 thousand;
- higher payables due to the recognition of the Acea Ato2 concession fee for 2022 for € 25,276 thousand;
- higher payables due to the recognition of Acea Ato2 stock dividends for 2021 for € 2,596 thousand;
- higher payables due to the recognition of the accrued portion for the Cosap debt of € 1,688 thousand;
- payment of Acea share dividends for 2019 and 2020 for a total of € 56,541 thousand;
- payment of Acea Ato2 concession fees for 2018, 2020 and 2021 for a total of € 35,246 thousand;
- payment of Acea Ato2 share dividends for 2020, totalling € 2,230 thousand;
- payment of the Acea Energia payable for electricity surcharges prior to 2012 totalling € 7,658 thousand;
- payment by areti of Cosap liabilities referring to 2017, 2018 and 2021 for a total of € 4,423 thousand;
- payment of areti payables for road expansion work "Protocollo di Via Tiburtina" for € 2,701 thousand;
- Acea paid Roma Capitale 50% of the 2021 dividends amount, equal to € 46,160 thousand;
- areti paid various municipalities the amounts due for road excavation permits for a total of € 14,868 thousand, as well as the Cosap payable for € 1,688 thousand;
- Acea Ato2 through offsetting paid share dividends for the year 2021 totalling € 2,596 thousand.

With specific reference to just offsetting operations during the year, summarised above, below are details on the main operations by month:

- April 2022: offsetting of receivables for € 3,636 thousand for works relating to the Public Lighting service, offsetting Acea's share dividends for 2019;
- May 2022: offsetting of receivables for € 7,424 thousand for fees for the last quarter of 2021 for Public Lighting, offsetting Acea's share dividends for 2019;
- July 2022: offsetting of receivables for € 16,043 thousand related to the supply service against the Acea Ato2 concession fee for 2021;
- July-August 2022: offsetting of receivables for € 15,335 thousand for fees for September 2021 and the first quarter of 2022 for Public Lighting, as well as works also associated with the Public Lighting services against Acea share dividends for 2019;
- September 2022: offsetting of receivables for € 4,830 thousand relating to the water supply service against Acea Ato2's share dividends for 2020 and 2021;
- September 2022: offsetting of receivables for € 9,096 thousand for fees for the current year for the Public Lighting Service, offsetting Acea's share dividends for 2019 and 2020;
- November 2022: offsetting of receivables for € 10,242 thousand for modernisation and extraordinary maintenance for 2021 for the Public Lighting grid offsetting Acea's share dividends for 2020;
- December 2022: offsetting of receivables for € 10,780 thousand for fees for the third quarter of 2022 for Public Lighting, offsetting Acea's share dividends for 2020;

- December 2022: collection by Acea Ato2 of receivables for € 8,427 thousand for water supply services.

Note that on 2 January 2023, Acea Ato2 paid the balance of the payable for the concession fee for the year 2021 (€ 2,283 thousand) and a portion of the payable for the concession fee for 2022, for € 6,144 thousand.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale receivables and payables. The Group companies chiefly concerned are Acea and Acea Ato2. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group. In order to arrive at a complete resolution of the differences, during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables.

For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters. Hence, again in 2021, while awaiting the conclusion and finalisation of these aspects,

Acea continued to provide the Public Lighting service. The service has therefore been invoiced and has partly already been paid by Roma Capitale, as seen in the data below:

- in 2020 at total of € 33,300 thousand of receivables referred to the aforementioned report were settled in the Group;
- during 2021 a new Public Lighting Technical Panel comprising Acea and Roma Capitale was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. As a result this work, Roma Capitale paid Acea the Public Lighting receivables for € 75,300 thousand through offsets;
- during 2022, settlement activities with Roma Capitale continued. Note that the Municipality liquidated receivables with Acea, again through offsetting, for a total of € 56,500 thousand, of which € 17,400 thousand relative to receivables already recognised in previous years.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory — Concessionaire: Acea SpA — Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021.

This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

With reference to the Technical Panel for water use receivables for Acea Ato2, in December 2021 the Parties signed a Technical Report intended to overcome the issues and disputes which have been discussed since 2018, as also indicated in the Notes to the Financial Statements for previous years.

As of the reporting date of these financial statements, Roma Cap-

itale still needs to liquidate most of the receivables underlying the Technical Report.

Note that in September 2022 the Consolidated Financial Statements of Roma Capitale as at 31 December 2021 were approved.

The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

Receivables due from Roma Capitale € thousand	31/12/2022 (A)	31/12/2021 (B)	Change (A – B)
Utility receivables	32,936	30,427	2,509
Provisions for impairment	(1,747)	(1,749)	2
<b>Total receivables from users</b>	<b>31,189</b>	<b>28,678</b>	<b>2,511</b>
Receivables for water works and services	3,804	2,325	1,479
Receivables for water works and services to be invoiced	574	1,971	(1,397)
Provisions for impairment	(2,191)	(2,191)	0
Receivables for electrical works and services	4,360	3,990	370
Receivables works and services - to be billed	242	25	217
Provisions for impairment	(326)	(326)	0
<b>Total receivables for works</b>	<b>6,463</b>	<b>5,793</b>	<b>670</b>
<b>Total trade receivables</b>	<b>37,652</b>	<b>34,472</b>	<b>3,180</b>
Financial receivables for Public Lighting services billed	135,127	117,133	17,994
Provisions for impairment	(57,994)	(30,152)	(27,842)
Financial receivables for Public Lighting services to be billed	36,274	48,981	(12,707)
Provisions for impairment	(5,380)	(28,298)	22,918
M/L term financial receivables for Public Lighting services	4,815	8,286	(3,471)
<b>Total Public Lighting receivables</b>	<b>112,842</b>	<b>115,949</b>	<b>(3,108)</b>
<b>Total Receivables</b>	<b>150,494</b>	<b>150,421</b>	<b>73</b>

Payables due to Roma Capitale € thousand	31/12/2022	31/12/2021	Change
Electricity surtax payable	(5,495)	(13,153)	7,658
Concession fees payable	(27,559)	(37,533)	9,974
Other payables	(9,784)	(13,463)	3,679
Dividend payables	(105,942)	(118,450)	12,508
<b>Total payables</b>	<b>(148,779)</b>	<b>(182,598)</b>	<b>33,819</b>
<b>Net balance receivables payables</b>	<b>1,714</b>	<b>(32,177)</b>	<b>33,892</b>

### Receivables from Subsidiaries and Associates

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables from associates	2,721	1,542	1,179	76.5%
Receivables from jointly controlled entities	10,973	8,659	2,314	26.7%
<b>Receivables from subsidiaries and associates</b>	<b>13,694</b>	<b>10,201</b>	<b>3,493</b>	<b>34.2%</b>

Trade receivables from jointly-controlled companies mainly refer to receivables from companies consolidated using the equity method. These receivables total € 13,694 thousand and increased by

€ 3,493 thousand, partially due to the change in the scope (+€ 1,531 thousand).

## 27. Other current assets - € 458,780 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables from others	343,117	292,288	50,830	17.4%
Accrued income and prepaid expenses	34,364	23,847	10,516	44.1%
Payables arising from commodity derivatives	81,298	71,678	9,621	13.4%
<b>Other current assets</b>	<b>458,780</b>	<b>387,813</b>	<b>70,967</b>	<b>18.3%</b>

### Receivables from others

These amounted to a total of € 343,117 thousand and were made up as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables due from the Equalisation Fund	53,117	95,887	(42,770)	(44.6%)
Receivables from Equalisation Fund for tariff Contribution from cancellation	5,300	6,667	(1,367)	(20.5%)
Other receivables from Equalisation fund	14,274	6,451	7,823	121.3%
Regional grants receivable	2,514	2,514	0	0
Receivables from Equitalia	122	122	0	0
Security deposits	5,032	3,803	1,229	32.3%
Receivables from social security institutions	3,180	3,134	46	1.5%
Receivables from individual transfers	2,584	2,190	394	18.0%
Suppliers' advances	20,877	9,625	11,253	116.9%
Receivables due from Municipalities	11,519	10,813	705	6.5%
Receivables from Factor from the sale	(825)	(840)	15	(1.8%)
Receivables for accrued Green Certificates	6,137	6,975	(838)	(12.0%)
Receivables from OTAAAs	6,740	5,058	1,682	33.3%
Receivables from staff	55	49	7	13.3%
Receivables due to the transferee Area Laurentina	0	6,446	(6,446)	(100.0%)
Receivables for advances to employees	822	616	207	33.6%
Other tax receivables	89,804	36,177	53,627	148.2%
Other receivables	121,864	96,602	25,262	26.2%
<b>Receivables from others</b>	<b>343,117</b>	<b>292,288</b>	<b>50,830</b>	<b>17.4%</b>

The increase of € 55,104 thousand derives **i)** from the change in scope for € 8,227 thousand, mainly due to the consolidation of ASM Terni (+€ 4,947 thousand, Sf Island (+€ 1,733 thousand) and S.E.R. Plast (+€ 1,475 thousand); **ii)** the increase in other tax receivables (+€ 53,627 thousand) mainly relative to greater VAT payments made by the parent company for € 15,330 thousand and greater tax receivables for Umbria Energy (+€ 14,183 thousand), Acea Energia (+€ 6,544 thousand) and Acea Innovation (+€ 5,009 thousand); **iii)** the increase in other receivables for € 25,262 thousand, mainly due to Acea Ato2, relative to the contractual quality bonus for the years 2018 and 2019 and tariff adjustments for years 2018-2022 that will be invoiced starting in 2024; to areti for € 8,172 thousand in part due to the effect of the electric Social Bonus, established and governed by the Authority, which led to the recognition of a receivable from the Equalisation Fund (Cassa Conguaglio) for energy and environmental services for the CCE and CCF components; to Adistribuzionegas for € 9,432 thousand;

**iv)** greater receivables from the Equalisation Fund mainly associated with areti (+€ 4,220 thousand) and **v)** greater advances to suppliers paid by Acea Innovation for € 11,030 thousand deriving from the start of energy efficiency activities. The increase was partially offset by the **i)** lower receivable due to Acea Energia from the Cassa per Servizi Energetici (- € 52,403 thousand) due to the adjustment of amounts due for the 2021 and determination of amounts due for 2022 **ii)** collection of the receivable due from Milano '90 for the via Laurentina area from the third party garnishee. For more information please see the disclosure on the main legal disputes.

### Accrued income and prepaid expenses

These amounted to € 34,364 thousand (€ 23,847 thousand at 31 December 2021) and refer mainly to rent on public land, lease payments and insurance, as well as the portion of user licences accruing to subsequent years and IT infrastructure maintenance fees.

**Active derivative instruments on commodities**

Active derivative instruments on commodities represent the valuation of hedging derivatives on commodities, entirely referring entirely to Acea Energia and amounting to € 81,298 thousand, up on the € 9,621 thousand at 31 December 2021 due to the change in the fair value measurement at the end of the period in question and the change in the quantities hedged. For these transactions classified as cash flow hedges, changes in fair value were recognised, limited only to the effective portion, in a specific equity reserve called “cash flow hedge reserve” through the statement of comprehensive

income. There were no changes in fair value referable to the ineffective portion to be recognised in the income statement. We note that among the “Other current liabilities” the item “Current derivative instruments” is recognised for € 1,572 thousand.

**28. Current tax assets – € 26,296 thousand**

These amounted to € 26,296 thousand (€ 24,183 thousand at 31 December 2021) and include IRAP and IRES receivables.

**29. Current financial assets – € 342,085 thousand**

€ thousand	31/12/2022	31/12/2021	Change	% change
Financial receivables from the Parent Company Roma Capitale	108,026	107,664	363	0.3%
Financial receivables from jointly controlled subsidiaries and associates	12,502	2,568	9,934	n.s.
Financial receivables from third parties	218,891	295,412	(76,522)	(25.9%)
Securities	2,667	2,300	367	15.9%
<b>Current financial assets</b>	<b>342,085</b>	<b>407,944</b>	<b>(65,858)</b>	<b>(16.1%)</b>

**Financial receivables from the Parent Company Roma Capitale**

These totalled € 108,026 thousand, up by € 363 thousand compared to 31 December 2021. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note “Receivables due from the Parent Company Roma Capitale”.

**Financial receivables from jointly controlled subsidiaries and associates**

These amounted to € 12,502 thousand and increased by € 9,934 thousand compared to 31 December 2021, mainly due to the residual credit to AE Sun Capital being recognised with Acea Produzione for the sale in the context of the Energy Box operation (€ 9,963 thousand).

**Financial receivables from third parties**

These amounted to € 218,891 thousand (€ 295,412 thousand at 31 December 2021) and are made up of short-term deposit lines of the Parent Company for € 190,000 thousand (€ 270,000 at 31 December 2021).

**30. Cash and cash equivalents – € 559,908 thousand**

The balance at 31 December 2022 of bank current accounts and postal accounts, opened with the various banks and BancoPosta by the consolidated companies amounted to € 559,908 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	31/12/2022	31/12/2021	Change	% change
Bank and postal deposits	541,481	666,245	(124,764)	(18.7%)
Cheques	9,614	6,421	3,193	49.7%
Cash and similar items of value on hand	8,813	8,154	659	8.1%
<b>Cash and cash equivalents</b>	<b>559,908</b>	<b>680,820</b>	<b>(120,912)</b>	<b>(17.8%)</b>

**31. Non-current assets held for sale – € 19,076 thousand**

At 31 December 2022, “Non-current assets held for sale” amounted to € 19,076 thousand (€ 168,425 thousand at 31 December

2021) and refer to the reclassification of assets destined for sale pursuant to IFRS5 in the context of the disposal of majority stakes relative to photovoltaic assets. For more information please see the paragraphs with the details.

## LIABILITIES

At 31 December 2022 these amounted to € 8,583,290 thousand (€ 8,112,466 thousand at 31 December 2021), recording an in-

crease of € 470,824 thousand (5.8%) over the previous year, and are broken down as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Non-current liabilities	5,452,905	5,514,512	(61,607)	(1.1%)
Current liabilities	3,128,466	2,550,553	577,914	22.7%
Liabilities closely associated with assets held for sale	1,919	47,402	(45,483)	(96.0%)
<b>Total liabilities</b>	<b>8,583,290</b>	<b>8,112,466</b>	<b>470,824</b>	<b>5.8%</b>

### 32. Shareholders' equity – € 2,755,243 thousand

At 31 December 2022, shareholders' equity amounted to € 2,755,243 thousand (€ 2,516,420 thousand at 31 December 2021). Changes in shareholders' equity during the period are shown in the specific statement.

#### Share capital

This amounts to € 1,098,899 thousand, represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- **Roma Capitale: 108,611,150** ordinary shares for a total par value of € 560,434 thousand;
- **Market: 103,936,757** shares for a total par value of € 536,314 thousand;
- **Treasury shares: 416,993** for a total par value of € 2,151 thousand.

#### Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company amounting to € 147,501 thousand.

#### Other reserves and retained earnings

At 31 December 2022, these amounted to € 765,143 thousand against € 573,114 thousand at 31 December 2021. In addition to

the allocation of the previous year's result, the change of € 192,029 thousand derives mainly from: **i)** distribution of dividends of the parent company for € 180,666 thousand; **ii)** increase in cash flow hedges of financial instruments and commodities for € 49,579 thousand; **iii)** increase of € 3,905 thousand in actuarial gains and losses reserves; **iv)** increase in the exchange rate reserve for € 14,544 thousand.

At 31 December 2022 Acea held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

#### Third parties shareholders' equity

This amounted to € 463,975 thousand, an increase of € 71,526 thousand. The change between the two periods in question, in addition to the change in the portion of profits due to third parties, is mainly due to the change in the scope (+€ 43,834 thousand) mainly influenced by the consolidation of ASM Terni (+€ 38,526 thousand), allocations (+€ 4,720 thousand) based on the IFRS3 (please see the specific section for more information) and shareholder payments for Adistribuzione gas share capital increase (+€ 2,361 thousand). This increase was partially offset by the reduction deriving from exercising the option to purchase an additional 20% of Cavallari shares (-€ 3,894 thousand).



## Non-current liabilities – € 5,452,905 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Staff termination benefits and other defined benefit plans	112,989	120,150	(7,162)	(6.0%)
Provisions for risks and charges	218,025	193,318	24,706	12.8%
Borrowings and financial liabilities	4,722,263	4,791,979	(69,716)	(1.5%)
Other non-current liabilities	399,628	409,064	(9,435)	(2.3%)
<b>Non-current liabilities</b>	<b>5,452,905</b>	<b>5,514,512</b>	<b>(61,607)</b>	<b>(1.1%)</b>

### 33. Employee severance indemnity and other defined benefit plans – € 112,989 thousand

At 31 December 2022, this item amounted to € 112,989 thousand (€ 120,150 thousand as at 31 December 2021) and represents ter-

mination and other benefits payable to employees on retirement or termination of employment.

The following table shows the change in actuarial liabilities during the period.

€ thousand	31/12/2022	31/12/2021	Change	% change
- Employee severance indemnities (TFR)	56,624	62,262	(5,637)	(9.1%)
- Pegaso Fund	45	51	(6)	(11.9%)
<b>Employee severance indemnity</b>	<b>56,669</b>	<b>62,313</b>	<b>(5,644)</b>	<b>(9.1%)</b>
- Extra months	6,679	8,989	(2,310)	(25.7%)
<b>Extra months</b>	<b>6,679</b>	<b>8,989</b>	<b>(2,310)</b>	<b>(25.7%)</b>
- LTIP plans	1,736	858	877	102.2%
<b>Long-Term Incentive Plans (LTIP)</b>	<b>1,736</b>	<b>858</b>	<b>877</b>	<b>102.2%</b>
<b>Benefits due at the time of termination of employment</b>	<b>65,084</b>	<b>72,160</b>	<b>(7,077)</b>	<b>(9.8%)</b>
- Employees tariff subsidy	5,287	6,895	(1,608)	(23.3%)
- Managers tariff subsidy	152	163	(11)	(6.9%)
- Pensioners tariff subsidy	18,715	14,526	4,189	28.8%
<b>Tariff subsidies</b>	<b>24,154</b>	<b>21,584</b>	<b>2,570</b>	<b>11.9%</b>
<b>Post-employment benefits</b>	<b>24,154</b>	<b>21,584</b>	<b>2,570</b>	<b>11.9%</b>
- Isopensione fund	23,751	26,406	(2,655)	(10.1%)
<b>Isopensione (early retirement)</b>	<b>23,751</b>	<b>26,406</b>	<b>(2,655)</b>	<b>(10.1%)</b>
<b>Staff termination benefits and other defined benefit plans</b>	<b>112,989</b>	<b>120,150</b>	<b>(7,162)</b>	<b>(6.0%)</b>

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according to IAS 19.

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies

listed on the same financial market as Acea, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

As regards the economic and financial scenario, the following table shows the main parameters used for the evaluation.

	31/12/2022	31/12/2021
Discount rate	4.0%	1.0 %
Revenue growth rate (average)	3.0%	1.6 %
Long-term inflation	3.0%	1.0%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was

performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /-0.5% shift). The results of this analysis are summarised below.

Type of plan - € million	Discount Rate	
	+0.5%	-0.5%
Employee severance indemnities (TFR)	(1.9)	3.5
Tariff subsidies	(0.1)	0.1
Extra months	(0.0)	0.0
LTIP	(0.0)	0.0

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the ac-

tual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan - € million	-1 year of age
Employee severance indemnities (TFR)	1.4
Tariff subsidies	(0.1)
Extra months	0.5

### 34. Provisions for risks and charges – € 218,025 thousand

At 31 December 2022, the provision for risks and charges amounted to € 218,025 thousand (€ 193,318 thousand at 31 December 2021) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of what is stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

When calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements in the period:

€ million	31/12/2021	Uses	Provisions	Release for excess provisions	Reclassifications/Other changes	31/12/2022
Legal	16,319	(3,162)	2,975	(1,130)	(427)	14,575
Taxes	7,255	(796)	409	(1,132)	0	5,738
Regulatory risks	30,961	(1,806)	4,995	(2,600)	0	31,550
Investees	7,490	0	0	0	677	8,167
Contributory risks	1,117	(130)	555	(16)	2	1,528
Insurance deductibles	10,863	(2,156)	2,174	0	0	10,881
Other risks and charges	26,075	(3,110)	7,326	(3,266)	979	28,004
<b>Total provision for risks</b>	<b>100,080</b>	<b>(11,160)</b>	<b>18,435</b>	<b>(8,144)</b>	<b>1,231</b>	<b>100,443</b>
Early retirements and redundancies	27,493	(19,677)	20,206	0	16	28,038
Post mortem	53,149	(477)	288	0	15,308	68,267
Provision for expenses payable to others	12,596	(4,674)	631	(224)	12,947	21,277
<b>Total provisions for expenses</b>	<b>93,238</b>	<b>(24,827)</b>	<b>21,125</b>	<b>(224)</b>	<b>28,270</b>	<b>117,582</b>
<b>Total provisions for risks and charges</b>	<b>193,318</b>	<b>(35,987)</b>	<b>39,559</b>	<b>(8,367)</b>	<b>29,502</b>	<b>218,025</b>

The increase with respect to the previous year is mainly due to consolidation of ASM Terni and the recognition of post mortem provisions for Deco and Ecologico Sangro and in Acea Ambiente for the acquisition of the former Polo Cirsu business unit. Provisioning during the period mainly refers to provisions for redundancies and mobility (€ 20,206 thousand), provisioning for regulatory risks (€ 4,995 thousand), mainly for higher fees for the derivation of water for hydroelectric use coming from the Sangro, Aventino and Verde rivers to serve the S. Angelo Power Plant, requested from the Abruzzo Region for 2014-2021 and extra BIM (Bacino Imbrifero Montani) fees for the Nera and Aniene rivers (€ 3,296 thousand),

in Acea Produzione, as well as provisioning for other risks (€ 7,326 thousand), mainly for Areti and associated with penalties, reserves for tenders, investigation rights for IP licenses and ARERA resolution 604/2021 (€ 4,700 thousand).

Acea considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.

For further information please refer to the section "Update on major disputes and litigation".

### 35. Non-current borrowings and financial liabilities – € 4,722,263 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Bonds	3,834,453	4,141,952	(307,500)	(7.4%)
Medium/long-term borrowings	814,422	610,298	204,125	33.4%
IFRS16 financial payables	73,388	39,729	33,659	84.7%
<b>Borrowings and financial liabilities</b>	<b>4,722,263</b>	<b>4,791,979</b>	<b>(69,716)</b>	<b>(1.5%)</b>

The figures in the table include the fair value, at 31 December 2022, of hedging instruments entered into and certain Group companies

which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	31/12/2022	Hedged instrument	Derivative fair value	31/12/2021
Bonds	3,816,438	18,015	3,834,453	4,120,169	21,783	4,141,952
Medium/long-term borrowings	814,422	0	814,422	608,398	1,900	610,298
<b>Non-current borrowings and financial liabilities</b>	<b>4,630,860</b>	<b>18,015</b>	<b>4,648,875</b>	<b>4,728,566</b>	<b>23,683</b>	<b>4,752,250</b>

#### Medium and long-term bonds

Bonds amounted to € 3,834,453 thousand at 31 December 2022 (€ 4,141,952 thousand at 31 December 2021) and refer to the following:

- **€ 599,513 thousand** (including the long-term portion of contract related costs) relating to the 10-year fixed rate bond issued by Acea in July 2014 as part of the Euro Medium Term Notes (EMTN) programme. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,750 thousand;
- **€ 496,944 thousand** (including the long-term portion of costs attached to the contract) relating to the 10-year fixed-rate bond issued for a total of € 500,000 thousand issued by Acea in October 2016 under the EMTN programme. The bonds, which have a minimum denomination of € 100,000.00 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 5,000 thousand;
- **€ 142,416 thousand** relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 18,015 thousand, amounted to **€ 160,430 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 22,713 thousand, of the hedged instrument calculated on 31 December 2022. The exchange rate at 30 December 2022 amounted to € 140.41 against € 130.90 at 31 December 2021. Interest accrued during the period amounted to € 3,633 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied into a fixed rate in Euro. The cross-currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 693,953 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.5%) bond issued by Acea on 1 February 2018 under the EMTN programme. Interest accrued during the period amounted to € 10,500 thousand;
- **€ 495,905 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.75%) bond issued by Acea on 23 May 2019 under the EMTN programme. Interest accrued during the period amounted to € 8,750 thousand;
- **€ 496,597 thousand** (including the long-term portion of costs associated with the contract) relating to the 9-year 0.50% rate bond issued by Acea on 29 January 2020 under the EMTN programme. Interest accrued during the period amounted to € 2,500 thousand;
- **€ 299,770 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly issued Green Bond maturing on 28 September 2025, with an interest rate of 0%;
- **€ 591,339 thousand** (including the long-term portion of costs associated with the contract) relative to the newly issued Green Bond maturing on 28 July 2030 with an interest rate of 0.25%. Interest accrued during the period amounted to € 1,500 thousand.

The decrease compared to 31 December 2021 refers for € 299,975 thousand (including the long-term portion of the costs associated with the conclusion) relating to the reclassification into the short-term position of the bond loan on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months + 0.37%) under the

EMTN programme. Interest accrued during the period amounted to € 1,436 thousand.

The following is a summary of the bonds, including the short-term portion:

€ thousand	Gross Payables *	FV hedging instrument	Interest accrued **	Total
<b>Bonds:</b>				
Issued in 2014	598,588.5	0.0	7,335.6	605,924
Private Placement issued in 2014	142,396.0	18,014.8	609.8	161,021
Issued in 2016	495,885.4	0.0	945.2	496,831
Issued in 2018	992,242.5	0.0	6,902.1	999,145
Issued in 2019	495,013.5	0.0	5,345.9	500,359
Issued in 2020	495,960.4	0.0	1,849.3	497,810
Issued in 2021	889,684.0	0.0	645.2	890,329
<b>Total</b>	<b>4,109,770.2</b>	<b>18,014.8</b>	<b>23,633.2</b>	<b>4,151,418</b>

\* Including amortised cost.

\*\* Including deferrals on hedging instruments.

#### Medium/long-term borrowings (including short-term portions)

These amounted to € 951,468 thousand (€ 705,968 thousand at 31 December 2021) and can be broken down as follows: **i)** payable for capital portions of instalments coming due within the year for € 137,046 thousand (€ 95,671 thousand at 31 December 2021); **ii)** the portions relative to the same loans expiring after the year for €

814,422 thousand (at 31 December 2021 these were € 610,298 thousand).

The increase, which refers to the parent company for € 211,385 thousand, is relative for € 250,000 thousand to the disbursement of the loan obtained from the European Investment Bank in 2020. The following table shows medium/long-term borrowings by maturity and type of interest rate:

€ thousand	31/12/2022	By 31/12/2023	From 31/12/2023 to 31/12/2027	After 31/12/2027
<b>Bonds:</b>				
- fixed rate	292,609	32,571	149,656	110,382
- floating rate	460,956	92,250	171,635	197,071
- floating rate cash flow hedge	197,903	12,225	116,304	69,374
<b>Total</b>	<b>951,468</b>	<b>137,046</b>	<b>437,595</b>	<b>376,827</b>

The **fair value** of GORI hedging derivatives was a positive € 6,579 thousand (it was a negative € 100 thousand at 31 December 2021); the fair value of Acquedotto del Fiora hedging derivatives was a positive € 5,462 thousand (at 31 December 2021 it was a negative € 1,900 thousand), and that of SII was a positive € 1,643 thousand. Positive fair values are found under "Non-current financial assets" and hence at 31 December 2022 are not considered in the balance of correlated loans.

The Group's main medium/long-term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices. In particular, the loan taken out by areti is subject to a financial covenant. On this point we can note that while awaiting the formalisation of the correct and updated interpretation of the method of calculating the financial parameter, Acea and Cassa Depositi e Prestiti agreed, in a Letter of Consent signed on 18 February 2022, to change, limited to the Company and not to the Consolidation, the threshold value of the same going from 0.65 to 0.75, with effect starting from the financial statements at 31 December 2021 and until expiry of the loan contract.

The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments, etc.), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants had not been complied with.

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 31 December 2022. The fair value of medium and long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards

the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given that they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A – B)	Risk adjusted FV (C)	Delta (A – C)
<b>Bonds</b>	<b>4,151,418</b>	<b>3,829,231</b>	<b>322,187</b>	<b>3,729,684</b>	<b>421,735</b>
- fixed rate	292,609	298,315	3,295	278,563	14,046
- floating rate	460,956	456,889	4,068	441,686	19,270
- floating rate cash flow hedge	197,903	203,445	(5,542)	198,444	(542)
<b>Total</b>	<b>5,102,886</b>	<b>4,778,879</b>	<b>324,007</b>	<b>4,648,377</b>	<b>454,510</b>

### IFRS16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS16 amounting to € 73,388 thousand, of which the short-term portion amounts to € 16,507 thousand.

The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

€ thousand	Within 12 months	Within 24 months	Within 5 years	After 5 years	Total
IFRS16 liabilities	16,507	10,874	19,257	43,257	<b>89,895</b>

It should be noted that the debt is discounted using a risk-free rate with a maturity equal to the residual duration for each contract, plus the credit spread assigned to Acea by Moody's.

### 36. Other non-current liabilities – € 399,628 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Advances received	160,550	167,342	(6,792)	(4.1%)
Water and electrical connection fees	47,895	46,397	1,498	3.2%
Capital grants	147,465	152,646	(5,181)	(3.4%)
Accrued expenses and deferred income	43,718	42,678	1,040	2.4%
<b>Other non-current liabilities</b>	<b>399,628</b>	<b>409,064</b>	<b>(9,435)</b>	<b>(2.3%)</b>

### Advances from end users and customers

The item advances includes: i) the amount of the security deposits and consumption advances of the water companies and ii) the amount of the deposits concerning the liabilities for advances on

electricity consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99).

€ thousand	31/12/2022	31/12/2021	Change	% change
Advances from users	6,007	9,277	(3,270)	(35.2%)
User guarantee deposits	139,266	147,040	(7,774)	(5.3%)
Advances from other customers	15,278	11,025	4,252	38.6%
<b>Advances received</b>	<b>160,550</b>	<b>167,342</b>	<b>(6,792)</b>	<b>(4.1%)</b>

### Capital grants and water connection fees

Water connection contributions amounted to €47,895 thousand (€ 46,397 thousand at 31 December 2021), while plant contributions amounted to € 147,465 thousand (€ 152,646 thousand at 31 December 2021).

These payments on behalf of plants registered in the liabilities annually are attributed by share to the profit and loss account in relation to the duration of the investment to which the issuance of the contribution is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

## Current liabilities – € 3,128,466 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Borrowings	619,418	285,222	334,196	117.2%
Payables to suppliers	1,849,980	1,683,563	166,417	9.9%
Tax payables	26,810	18,962	7,847	41.4%
Other current liabilities	632,259	562,806	69,453	12.3%
<b>Current liabilities</b>	<b>3,128,466</b>	<b>2,550,553</b>	<b>577,914</b>	<b>22.7%</b>

### 37. Financial payables – € 619,418 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to banks for short-term credit lines	8,008	4,800	3,207	66.8%
Payables to banks for loans	137,046	95,671	41,375	43.2%
Short-term bonds	316,965	15,945	301,020	n.s.
Payables to the controlling shareholder Municipality of Rome	108,466	120,137	(11,670)	(9.7%)
Payables to subsidiaries and associates	68	13	55	n.s.
Payables to third parties	32,358	34,691	(2,333)	(6.7%)
IFRS16 financial payables within one year	16,507	13,965	2,541	18.2%
<b>Borrowings</b>	<b>619,418</b>	<b>285,222</b>	<b>334,196</b>	<b>117.2%</b>

#### Payables to banks for short-term credit lines

These amounted to € 8,008 thousand (€ 4,800 thousand at 31 December 2021), showing an increase of € 3,207 thousand, mainly attributable to the change in the scope of consolidation (+€ 4,872 thousand).

#### Payables to banks for loans

These amounted to € 137,046 thousand (€ 95,671 thousand at 31 December 2021), and refer to the current portion of bank loans falling due within twelve months. The change of € 41,375 thousand is in part due to the change in scope (+€ 5,125 thousand), with the remaining portion due to Adistribuzione gas (+€ 32,830 thousand) in relation to the loan taken out to acquire the Romeo Gas business unit.

#### Short-term bonds

These amounted to € 316,965 thousand (€ 15,945 thousand at 31 December 2021). The increase in short-term bonds is due to reclassification into the short-term position of the 5-year bond

issued by Acea under the Euro Medium Term Notes (EMTN) programme on 1 February 2018, which matures at the beginning of February 2023.

#### Payables to the controlling shareholder Municipality of Rome

These amounted to € 108,466 thousand (€ 120,137 thousand at 31 December 2021) and recorded a decrease of € 11,670, resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment/collection of dividends during the period.

#### Payables to subsidiaries and associates

These amounted to € 68 thousand and increased by € 55 thousand, compared to 31 December 2021.

#### Payables to third parties

These amounted to € 32,358 thousand (€ 34,691 thousand at 31 December 2021). The item can be represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Dividends payable to shareholders	939	330	609	184.7%
Financial payables due to factoring	22,536	27,586	(5,050)	(18.3%)
Other financial payables	8,882	6,775	2,107	31.1%
<b>Payables to third parties</b>	<b>32,358</b>	<b>34,691</b>	<b>(2,333)</b>	<b>(6.7%)</b>

#### IFRS16 financial payables within one year

These payables, totalling € 16,507 thousand (€ 13,965 thousand at 31 December 2021), represent the short-term portion of the

financial debt at 31 December 2022 recorded following the application of the IFRS16 international standard. For additional information refer to note 35.

**38. Trade payables – € 1,849,980 thousand**

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to suppliers	1,802,577	1,614,938	187,638	11.6%
Payables to the parent company	40,313	62,462	(22,149)	(35.5%)
Payables to subsidiaries and associates	7,090	6,163	927	15.0%
<b>Payables to suppliers</b>	<b>1,849,980</b>	<b>1,683,563</b>	<b>166,417</b>	<b>9.9%</b>

**Payables to suppliers**

Payables to suppliers amounted to € 1,802,577 thousand. The decrease of € 187,638 thousand is in part due to the change in the scope of consolidation (+€ 48,115 thousand) with the remaining portion mainly attributable to Acea Energia (+€ 42,936 thousand) mainly due to the increase in energy and gas prices, as well as an increase in volumes acquired, and to Acea Ato2 (+€ 36,320 thousand) and Acea Innovation (+€ 22,752 thousand) in relation to the increase in smart services.

The Group has entered into factoring agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank. In some cases, the payment deadline set in the invoice is further deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 AG62. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

**Trade payables due to the Parent Company Roma Capitale**

These amounted to € 40,313 thousand (€ 62,462 thousand at 31 December 2021) and are commented on with the trade receivables in paragraph 26 of these Notes.

**Trade payables due to subsidiaries and associates**

Trade payables to subsidiaries and associates amounted to € 7,090 thousand (€ 6,163 thousand at 31 December 2021) and include payables to companies consolidated using the equity method. The increase is due to the change in scope following the consolidation of ASM Terni.

**39. Tax payables – € 26,810 thousand**

These amounted to € 26,810 thousand (€ 18,962 thousand at 31 December 2021) and include the IRAP and IRES tax payable. The increase is due to the payable for extraordinary solidarity contributions pursuant to article 37 of Decree Law 21/2022 not yet paid (€ 18,366 thousand) partially offset by lower IRES and IRAP payables (-€ 10,519 thousand).

**40. Other current liabilities – € 632,259 thousand**

These are equal to € 632,259 thousand and are represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to social security institutions	32,112	28,519	3,593	12.6%
Accrued expenses and deferred income	83,846	58,421	25,426	43.5%
Other current liabilities	514,729	431,313	83,416	19.3%
Payables from commodity derivatives	1,572	44,553	(42,981)	(96.5%)
<b>Other current liabilities</b>	<b>632,259</b>	<b>562,806</b>	<b>69,453</b>	<b>12.3%</b>

**Payables to social security institutions**

These amounted to € 32,112 thousand and increased by € 3,593 thousand compared to 31 December 2021, influenced in large part by the change in the scope of consolidation (+€ 1,577 thousand).

**Accrued expenses and deferred income**

This item amounted to € 83,846 thousand (€ 58,421 thousand at 31 December 2021). The change in the scope contributed to this increase for € 3,091 thousand.



**Other current liabilities**

These amounted to € 514,729 thousand, an increase of € 83,416 thousand compared to 31 December 2021. The entry is made up as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to Equalisation Fund	84,520	78,521	5,999	7.6%
Payables to Municipalities for concession fees	64,740	63,223	1,516	2.4%
Payables for collections subject to verification	20,385	21,464	(1,079)	(5.0%)
Payables due to personnel	56,561	52,662	3,898	7.4%
Other payables to Municipalities	32,941	28,004	4,937	17.6%
Payables to Equitalia	2,095	2,098	(2)	(0.1%)
Welfare contribution payables	119	961	(842)	(87.7%)
Payables for environmental premium art. 10 of AT14 agreement of 13/08/2007	677	496	181	36.6%
Payables to end users for refund of Tariff Component as per referendum outcome	14	14	0	0.1%
Other tax payables	64,307	84,184	(19,878)	(23.6%)
Other payables	188,371	99,686	88,685	89.0%
<b>Other current liabilities</b>	<b>514,729</b>	<b>431,313</b>	<b>83,416</b>	<b>19.3%</b>

The increase of € 83,416 thousand is due to the change in the scope for € 37,375 thousand and also the recognition by Acea Produzione of the payable due to GSE for the Supports Ter Decree (+€ 22,325 thousand).

**Payables from commodity derivatives**

Passive derivatives on commodities represent the valuation of derivatives hedging commodities and refer entirely to Acea Energia. For more information please see note 27.

**41. Liabilities closely associated with assets held for sale – € 1,919 thousand**

At 31 December 2022, “Liabilities closely associated with assets held for sale” amounted to € 1,919 thousand and refer to the re-classification of liabilities closely associated with assets held for sale held for sale in terms of IFRS5; reference is made to the specific paragraph for more information.

# COMMITMENTS AND CONTINGENCIES

## ENDORSEMENTS, SURETIES AND GUARANTEES

At 31 December 2022, these totalled € 632,577 thousand (€ 450,575 thousand at 31 December 2021), recording an increase of € 182,002 thousand.

The balance is made up of:

- € 78,959 thousand for guarantees in the interest of Acea Energia relative to the electricity and gas dispatching and transport service;
- € 20,000 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 53,666 thousand in the form of a guarantee issued by Acea to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 37,586 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants, waste recovery plants with electricity production and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 23,750 thousand);
- € 8,336 thousand released by banks on the account of Acea Ambiente in favour of the Umbria Region for management of the Orvieto landfill;
- the guarantee of € 238,000 thousand for various traders in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 15,443 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the “Progetto Tecnologico” contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,000 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 6,887 thousand relative to Acea Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UniCredit to OTAA, calculated on 10% of the three-year average of the Financial-Tariff Plan of the OTAA Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary GORI SpA;
- € 52,591 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 10,392 thousand for five bank sureties issued in favour of SEDAPAL for the management of the pumping stations in the city of Lima and for maintenance of the water and sewerage network in the North zone, for the maintenance and management of wastewater treatment plants in Lima North-East zone;
- € 21,823 thousand for various guarantees associated with the authorisation request to build and manage photovoltaic parks;
- € 6,496 thousand issued by insurance companies on behalf of Deco relating to the landfill and waste treatment plant.

## BUSINESS COMBINATIONS

Below are the Business Combination, for which recognition using the acquisition method is to be considered definitive.

### MEG acquisition

On 14 October 2021 Acea Ambiente acquired 60% of MEG, an operator active in Italy offering professional consultancy for

the construction of municipal solid waste packaging treatment plants.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	MEG		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	5,611	0	5,611
Intangible fixed assets	473	3,989	4,462
Equity investments	0	0	0
Warehouse inventories	549	0	549
Deferred taxes	0	(1,113)	(1,113)
Trade receivables	1,911	0	1,911
Other receivables	1,267	0	1,267
Financial receivables	0	0	0
Cash and cash equivalents	708	0	708
Employee severance indemnity and other defined benefit plans	(112)	0	(112)
Provisions for risks and charges	(76)	0	(76)
Current tax assets/liabilities	0	0	0
Trade payables	(2,768)	0	(2,768)
Other payables	(1,022)	0	(1,022)
Other financial liabilities	(2,704)	0	(2,704)
Payables to banks	(497)	0	(497)
Allocated goodwill	0	0	0
<b>Net balance</b>	<b>3,341</b>	<b>2,876</b>	<b>6,217</b>
- of which attributable to third parties			(2,487)
Goodwill			2,704
<b>Net value acquired</b>			<b>6,434</b>
<b>Net cash outflow for the acquisition</b>			<b>(6,434)</b>
Cash and cash equivalents acquired			708
Repayment of financial payables			0
Payables to banks			(497)
<b>Net cash flow</b>			<b>(6,223)</b>

## Deco Group acquisition

On 30 November 2021, through Acea Ambiente the Group acquired 65% of Deco, which in turn owns 100% of Ecologica Sangro, in turn, holding 75% of the Consorzio Servizi Ecologici del Frentano. The Deco Group is the main private operator in the environment sector in the Abruzzo Region and operates in the construction of disposal and energy recovery plants, producing energy from landfill gas, producing secondary solid fuel and photovoltaic energy as well as providing reclamation and soil bioengineering services and works. It is noted that a second closing is already expected in January 2023, to acquire the remaining 35%. There are no conditions or

clauses precedent that could make the acquisition reasonably uncertain. Therefore it is considered that as of now all the risks and benefits have been transferred to Acea Ambiente for the 100% equity investment. Consequently, in line with international accounting standards, the shareholding was fully consolidated, with the recognition of the estimated debt of around € 33,954 thousand.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	Deco Group		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	23,133	0	23,133
Intangible fixed assets	1,018	56,207	57,225
Equity investments	3,151	0	3,151
Warehouse inventories	667	0	667
Deferred taxes/Tax credits	332	(16,199)	(15,867)
Trade receivables	7,801	0	7,801
Other receivables	17,235	0	17,235
Financial receivables	2,979	0	2,979
Cash and cash equivalents	17,965	0	17,965
Employee severance indemnity and other defined benefit plans	(340)	0	(340)
Provisions for risks and charges	(38,433)	0	(38,433)
Current tax assets/liabilities	0	0	0
Trade payables	(5,518)	0	(5,518)
Other payables	(3,530)	0	(3,530)
Other financial liabilities	(13,503)	0	(13,503)
Payables to banks	(202)	0	(202)
Allocated goodwill	0	0	0
<b>Net balance</b>	<b>12,756</b>	<b>40,008</b>	<b>52,764</b>
- of which attributable to third parties			0
Goodwill			43,162
<b>Net value acquired</b>			<b>95,926</b>
<b>Net cash outflow for the acquisition</b>			<b>(95,926)</b>
Cash and cash equivalents acquired			17,965
Repayment of financial payables			0
Payables to banks			(202)
<b>Net cash flow</b>			<b>(78,163)</b>

The assets allocated refer to the TMB Integrated Environmental Authorisation for Deco, whereas the goodwill is attributable to

Deco for € 31,673 thousand and Ecologica Sangro for € 11,489 thousand.

## SF Island acquisition

On 24 January 2022, Acea Solar acquired 100% of SF Island with registered office in Acquapendente (Viterbo, Italy), which at the acquisition date held 4 authorisations for approximately 3.96 MWp and 11 projects pending authorisation for approximately 86.9 MWp.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	SF Island		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	0	0	0
Intangible fixed assets	6	948	954
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	(289)	(289)
Trade receivables	0	0	0
Other receivables	119	0	119
Financial receivables	0	0	0
Cash and cash equivalents	5	0	5
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(0)	0	(0)
Other payables	(118)	0	(118)
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
<b>Net balance</b>	<b>12</b>	<b>659</b>	<b>671</b>
- of which attributable to third parties			0
Goodwill			0
<b>Net value acquired</b>			<b>671</b>
<b>Net cash outflow for the acquisition</b>			<b>(671)</b>
Cash and cash equivalents acquired			5
Repayment of financial payables			0
Payables to banks			0
<b>Net cash flow</b>			<b>(666)</b>

## AS Recycling acquisition

On 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	AS Recycling		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	954	0	954
Intangible fixed assets	1,512	0	1,512
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	0	0
Trade receivables	0	0	0
Other receivables	141	0	141
Financial receivables	0	0	0
Cash and cash equivalents	2	0	2
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(677)	0	(677)
Other payables	(464)	0	(464)
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
<b>Net balance</b>	<b>1,468</b>	<b>0</b>	<b>1,468</b>
- of which attributable to third parties			(147)
Goodwill			1,522
<b>Net value acquired</b>			<b>2,843</b>
<b>Net cash outflow for the acquisition</b>			<b>(2,843)</b>
Cash and cash equivalents acquired			2
Repayment of financial payables			0
Payables to banks			0
<b>Net cash flow</b>			<b>(2,840)</b>

## S.E.R. Plast acquisition

On 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	S.E.R. Plast		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	3,785	0	3,785
Intangible fixed assets	1,808	10,815	12,623
Equity investments	23	0	23
Warehouse inventories	463	0	463
Deferred taxes	(242)	(3,115)	(3,357)
Trade receivables	659	0	659
Other receivables	1,582	0	1,582
Financial receivables	0	0	0
Cash and cash equivalents	436	0	436
Employee severance indemnity and other defined benefit plans	(92)	0	(92)
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(1,853)	0	(1,853)
Other payables	(1,725)	0	(1,725)
Other financial liabilities	(3,391)	0	(3,391)
Payables to banks	(708)	0	(708)
Allocated goodwill	0	0	0
<b>Net balance</b>	<b>745</b>	<b>7,700</b>	<b>8,445</b>
- of which attributable to third parties			(2,534)
Goodwill			270
<b>Net value acquired</b>			<b>6,181</b>
<b>Net cash outflow for the acquisition</b>			<b>(6,181)</b>
Cash and cash equivalents acquired			436
Repayment of financial payables			0
Payables to banks			(708)
<b>Net cash flow</b>			<b>(6,453)</b>



## BUSINESS COMBINATION – PROVISIONAL ACCOUNTING (IFRS3 – PAR. 45)

### Acquisition of ASM Terni

On 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors.

The entry of Acea into the ASM Terni share capital involves two distinct stages. The first stage involves the signing of the tranche of the ASM Terni share capital increase, through the transferring of an equity investment as below:

- the Parent Company, TWS and Acea Molise transferred the equity

investments held in UmbriaDue Servizi Idrici Scarl overall held at 99.4%;

- Acea Ambiente transferred the 60.0% equity investment held in Ferrocarril Srl.

Therefore, Acea is the industrial partner to achieve the established objectives and fully consolidates the company based on the agreements signed, also in accordance with shareholders' agreements and by-laws.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand

<b>Net balance</b>	<b>72,410</b>
- of which attributable to third parties	(44,916)
Goodwill/(Badwill)	851
<b>Net value acquired</b>	<b>28,344</b>
<b>Net cash outflow for the acquisition</b>	<b>(28,344)</b>
Cash and cash equivalents acquired	2,266
Loan disbursement	0
Payables to banks	(11,223)
<b>Net cash flow</b>	<b>(37,301)</b>

### Acquisition of Tecnoservizi

On 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of municipali-

ties, entities and businesses.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand

<b>Net balance</b>	<b>6,737</b>
- of which attributable to third parties	(2,021)
Goodwill/(Badwill)	1,595
<b>Net value acquired</b>	<b>6,311</b>
<b>Net cash outflow for the acquisition</b>	<b>(6,311)</b>
Cash and cash equivalents acquired	1,522
Loan disbursement	0
Payables to banks	(2,203)
<b>Net cash flow</b>	<b>(6,993)</b>

## Acquisition of Italmacero

On 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand

<b>Net balance</b>	<b>1,146</b>
- of which attributable to third parties	0
Goodwill/(Badwill)	615
<b>Net value acquired</b>	<b>1,761</b>
 <b>Net cash outflow for the acquisition</b>	 <b>(1,761)</b>
Cash and cash equivalents acquired	928
Loan disbursement	0
Payables to banks	0
<b>Net cash flow</b>	<b>(833)</b>

## Acquisition of Romeo Gas Business Unit

On 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented by assigning equity shares in favour of Adistribuzione gas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand

<b>Net balance</b>	<b>29,984</b>
- of which attributable to third parties	0
Goodwill/(Badwill)	7,090
<b>Net value acquired</b>	<b>37,074</b>
 <b>Net cash outflow for the acquisition</b>	 <b>(37,074)</b>
Cash and cash equivalents acquired	0
Loan disbursement	0
Payables to banks	0
<b>Net cash flow</b>	<b>(37,074)</b>

## Acquisition of former Cirsu Business Unit

On 30 June 2022, through its subsidiary Acea Ambiente, the Group was awarded the business unit called “Polo Cirsu” (located in Località Casette di Grasciano Notaresco - Teramo), following participation in the competitive bidding process called with a notice of sale of the Court of Teramo. The business unit consists of the landfill known as Grasciano 1, completely depleted of authorised volumes, and the new landfill known as Grasciano 2. Possession of

the same occurred after the authorisations were transferred at the end of 2022.

The transaction is currently being analysed and the difference that emerges from consolidation is provisionally recognised allocated to authorisation.

€ thousand

<b>Net balance</b>	<b>37,425</b>
- of which attributable to third parties	0
Goodwill/(Badwill)	(10,044)
<b>Net value acquired</b>	<b>27,381</b>
 <b>Net cash outflow for the acquisition</b>	 <b>(27,381)</b>
Cash and cash equivalents acquired	0
Loan disbursement	0
Payables to banks	0
<b>Net cash flow</b>	<b>(27,381)</b>

## APPLICATION OF THE IFRS5 STANDARD

An agreement was signed on 23 December 2021 with the British investment fund Equitix for the sale of photovoltaic plants held by the Acea Group for a total of approximately 105 MW.

The Consolidated Financial Statements for the Acea Group at 31 December 2021 recognised the assets and liabilities inherent to the agreement as a Disposal Group, measured and recorded in the Balance Sheet according to the provisions under the international IFR5 standard.

The agreement was then finalised on 22 March 2022 with the transfer of Acea Sun Capital to the Newco AE Sun Capital, held for 40% by Acea Produzione and for 60% by Equitix; the transfer resulted in the handover of the plants already connected to the network, whereas in terms of the agreements, the transfer of the plants undergoing completion or connection is subject to obtaining the connection certificate. These plants are held by Acea Solar and Acea Renewable and are included in this Report in line with the provisions of IFRS5 and in line with what was reported in the 2021 Consolidated Financial Statements, namely:

- the measurement of such assets was made at the lower between

historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value;

- the assets and liabilities closely associated with the group held for sale were measured and presented in the balance sheet in two specific items of the financial situation ("assets held for sale" and "liabilities closely associated with assets held for sale"). Neither IFRS5 nor IAS 1 provide indications on the methods of presenting transactions between Continuing and Discontinued Operations. The method chosen led to presenting the reclassification of the asset and liability financial balances with the values net of the elimination of intragroup transactions;
- the economic items were presented in continuity with the previous year; from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated.

The contribution of the operation to the equity situation of the Acea Group (in €/million) as at 31 December 2022 is presented below:

ASSETS	Effect of application of IFRS5
Non-current assets	17.4
Current assets	1.7
<b>Non-current assets destined for sale</b>	<b>19.1</b>

LIABILITIES	Effect of application of IFRS5
Non-current liabilities	0.0
Current liabilities	1.9
<b>Liabilities closely associated with assets held for sale</b>	<b>1.9</b>

Furthermore, with regard to the transfer of Acea Sun Capital and its subsidiaries, it is noted that the economic items of the first three months were presented in continuity with the previous year (line-by-line consolidation including intercompany elimination) and from the date on which the changed destination of the assets has been

resolved, depreciation and amortisation were no longer recognised. The transaction was recognised considering the entire scope of the sale, with a sales price of € 196.7 million, recognising a net capital gain in the income statement for the entire transaction (limited to the minority interest portion) for € 17.7 million.

## SERVICE CONCESSION ARRANGEMENTS

The Acea Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in Municipalities in Optimal Territorial Area 4 Ternano - Orvietano through Acea Ambiente.

As for the water segment, the Acea Group provides the Integrated Water Service (IWS) under a concession arrangement in the following regions:

- Lazio, where Acea Ato2 SpA and Acea Ato5 SpA provide services in the provinces of Rome and Frosinone, respectively;
- Campania, where GORI SpA provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river;
- Tuscany, where the Acea Group operates in the province of Pisa, through Acque SpA, in the province of Florence, through Publiacqua SpA, in the provinces of Siena and Grosseto, through Acquedotto del Fiora SpA in the province of Arezzo through Nuove Acque SpA and in the province of Lucca and periphery through GEAL SpA;
- Umbria, where the Group operates in the province of Perugia through Umbra Acque SpA, and Terni through SII ScPA.

The Group is also in charge of several former CIPE services in the province of Benevento with Gesesa SpA and in the municipalities of Termoli and Campagnano with Acea Molise SpA.

Finally, it is to be noted that since 2019, the Acea Group also distributes gas in Abruzzo, in the provinces of Pescara and Aquila.

For additional information on the legislative and regulatory framework, please refer to the Report on Operations.

### PUBLIC LIGHTING - ROME

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its concessionary nature, expires on the same date of the concession (2027).

The service agreement envisages, among other clauses, an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.

Furthermore, the investments required for the service may be **i)** applied for and funded by the Municipality or **ii)** financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods. Upon natural or early expiry — also due to cases envisaged under Law Decree no. 138/2011 — Acea will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly

set out in the call for tenders for the selection of the new operator. Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which Acea has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as € 39.6 million, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.

In June 2016, Acea and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan and, consequently, amending article 2.1 of the Supplementary Agreement signed in 2011.

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000; the price was set at € 48.0 million for the entire LED Plan.

As a result of the implementation of the LED Plan, the parties partially amended article 2.1 of the 2011 Supplementary Agreement with reference to the price list and the composition of the service management fee.

As regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP Luce 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. With the same note, which, in any event, does not affect the Administration’s intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea’s ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables and to adopt resolutions for the acknowledgement of the off-balance-sheet payable in relation to the receivables which cannot be settled immediately. Although there are still some receivable items in dispute, following the discussions of July 2021 and up to November 2021, a large part of the outstanding amount relating to previous years was paid by Rome Capital and the verification and comparison activities with

the Municipality of Rome continued. These comparisons led Roma Capitale to pay Acea further collections relating mainly to current receivables. Hence during 2022 reconciliation activities occurred with reference to credit items and, again through offsetting, € 56.5 million was liquidated.

Also note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled “Public and artistic-monumental public lighting service on the entire municipal territory — Concessionaire: Acea SpA — Recognition of the perimeter of the payable situation and launch of the consequent procedures” recognised the perimeter of the Administration’s payables to Acea and areti in relation to the Public Lighting service as of 31 December 2021. This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

We can inform you that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.

Finally, please note that during September 2022, the Consolidated Financial Statements of Roma Capitale at 31 December 2021 were approved.

## INTEGRATED WATER SERVICE

### Lazio - Acea Ato2 SpA (OTA2 - Central Lazio - Rome)

The Integrated Water Service in OTA2 Central Lazio - Rome started on 1 January 2003. The management of the OTA Municipalities took place gradually and the Municipalities currently managed are 89 compared to 113 of the entire OTA. Compared to the previous year, it should be noted that on 14 July 2021 with Regional Council Resolution no. 10, which followed Regional Executive Resolution no. 752 of 3 November 2020 on the same subject, Optimal Territorial Area no. 2, Central Lazio-Rome, was modified including in it the Municipality of Campagnano di Roma, which previously belonged to OTA no. 1 North Lazio-Viterbo. In this way the total number of Municipalities of OTA2 went up from 112 to the current 113. In the second quarter of 2022, from 1 April 2022 the acquisition of the drinking water and sewerage service for Marano Equo completed the acquisition of the IWS for that municipality, taking the total number of integrated municipal water services to 81.

At the 30 November 2022 meeting of the Conference of Mayors of OTA2 Central Lazio - Rome, with Resolution 13-22 the regulatory scheme was adopted on updating of the tariffs established for 2022-2023, based on ARERA resolutions ARERA 639/2021/R/idr and 229/2022/R/idr. Pending approval by the Authority, pursuant to paragraph 7.2 of ARERA resolution 580/2019/R/idr, the 2020-2023 tariff is applied, as approved by the Authority with resolution 197/2021/R/idr.

The tariff proposal adopted by the Conference of Mayors, the result of a joint process between Acea Ato2 and the Technical Operational Secretariat of the Conference of Mayors was approved in January 2023 by the Authority with resolution 11/2022/R/idr “Approval of the update of tariff provisions for the integrated water service for 2022 and 2023”; the main aspects follow:

- confirmation of the placement of Scheme V within the regulatory scheme matrix pursuant to article 5 of Annex A to resolution 580/2019/R/idr (high investments with respect to the value of existing infrastructure and average per capita GRC higher than the average national value determined by ARERA), already approved with ARERA resolution 197/2021/R/idr;
- Works Programme for 2022-2023 of over € 805 million, equal to around € 110 per year per capita, up by around € 90 million with respect to that approved for 2020-2023; for the subsequent 2024-2032 period, an additional amount of around € 4,200 million is planned (€ 890 million more than that approved for 2020-2023);
- confirmation of the theta tariff multiplier (to be applied to the tariff in force at 31 December 2019) of 1.139 for 2022 and of 1.202 for 2023, in line with that already approved in ARERA resolution 197/2021/R/idr;
- confirmation of the value of the “psi” parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/idr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNI<sub>new</sub>);
- use of the amount of the integrated water bonus for all of 2021 not utilised to reduce tariff adjustments for 2020 and 2021, specifically around € 6 million.

Additionally, at its meeting on 30 November 2022, the Conference of Mayors approved the implementation Regulation for the 2023 integrated water bonus (Resolution 11-22). As in previous years, the amount of the bonus is calculated as an expense (based on the tariffs in effect in the reference year) corresponding to the fixed and variable fees for aqueduct, sewer and purification for a consumer up to:

- 40 m<sup>3</sup> per year for every member of the household, for direct and indirect users with ISEE up to € 8,265;
- 20 m<sup>3</sup> per year for every member of the household, for direct and indirect users with:
  1. ISEE indicator up to € 13,939.11 and household of up to 3 members;
  2. ISEE indicator up to € 15,989.46 and household with 4 members;
  3. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Other events worthy of note in relation to Conference of Mayors resolutions are the update of the Services Charter (resolution 10-22 of 29 September 2022) and the User Regulations (resolution 12-22 of 30 November 2022), adjusted to current regulations. Other significant events during 2022 include, following that established in the previously cited Law 152/2021 and the consequent regional laws, the significant push given to transfer integrated water services to the single manager for municipalities which, as of the first half of 2022, were still operating the service without a legal title in compliance with the current pro tempore regulations.

With determination 1/2022 – DSID, the expiration of 30 April 2022 was re-established for EGAs to send the Authority the tariff data for the 2020-2023 period, also defining the associated forms (or the technical and tariff data collection file — RDT2022 — which also includes the project programme, strategic works plan and economic/financial plan, and the basic schedules for the accompanying reports respectively for the tariff data and quality objectives for 2022-2023, with the update of the project programme/strategic

works plan).

Following the proceeding launched with resolution 139/2022/R/ldr of 30 March 2022 and continued with consultation 184/2022/R/ldr of 26 April 2022, the related urgent measures are introduced, intended to ensure the certainty of the system and the various interested parties.

Specifically, and without prejudice to the provisions for the 2022-2023 tariff update set out by resolution 639/2021/R/ldr, for the year 2022 provisions were made for the possibility to formulate a reasoned request for the activation of forms of financial advances to meet part of the expenses incurred for the purchase of electricity. The claim, formulated by the AGB by the deadline of 30 June 2022 at the request of the relevant operator faced with substantiated financial problems, is subject to a series of conditions, including having made recourse to the possibility of exploiting, for the year 2022, the additional forecast component set out by paragraph 20.3 of the MTI-3 and the assumption of the commitment to request from its suppliers instalment arrangements of the amounts due for the energy consumption relating to the months of May and June 2022, according to the provisions of Law Decree 21/2022. The value of the advance cannot exceed 35% of the cost component recognised for the electricity quantified for the purposes of updating the tariff arrangement for 2022. After verification of the conditions and correctness of the documentation submitted, the CSEA will pay the amounts by 31 July 2022, which the beneficiary operator must pay back by 31 December 2024. Furthermore, in the event of an effective cost for the purchase of electricity referring to 2021 that is higher than the one recognised in application of the rules set out by article 20 and paragraph 27.1 of the MTI-3, the EGA is given the power, at the request of the operator and for the purposes of maintaining the economic and financial balance of the management, to submit a reasoned request for the recognition of additional costs in the context of the adjustment component relating to systemic changes and exceptional events (paragraph 27.1, letter f), MTI-3) referring to 2023; the request must be accompanied by an action plan to limit the cost of energy. With the subsequent Resolution 495/2022/R/ldr of 13 October 2022 a second window was established (1 November - 30 November 2022) for presentation of requests to CSEA. Annually, starting in 2023, the Authority will publish the annual cost of the electricity supply sector, on the basis of specific investigations, in order to strengthen monitoring of the system.

As of the date of this report, the appeals filed by Acea Ato2 with the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/ldr (MTI), Resolution no. 664/2015/R/ldr (MTI-2) and Resolution no. 580/2019/R/ldr are still pending.

Relative to Resolution 643/2013, note that on 8 May 2014 the additional reasons for annulment of ARERA decisions 2 and 3 of 2014 were presented.

The ruling of the regional administrative court of Lombardy no. 892 of 20 April 2022 confirmed the guidelines already expressed by the Council of State in the cases on resolution 585/2012/R/ldr relating:

- to the so-called “white water” for which the appealed resolution “does not impact in a broad sense on the ongoing management agreements”;
- to mixed sewerage, stating that “in these cases, since it is not possible to quantify the volumes of water that flow into the sew-

erage networks from the various points of input, and therefore to break down the relative costs, it responds to economic rationality fees so that the tariffs also cover the costs deriving from the collection and treatment of white water”;

- to the financial expenses on adjustments, for which it is confirmed that since the operator incurs an objective cost deriving from the fact that the level of the tariffs initially set by the area governing body is insufficient to cover the costs of the service, the recognition of this financial cost cannot be renounced. Due to this, the Authority must then provide, during determination of the adjustment, for a correction to cover the financial expense on adjustments. The regional administrative court rejected the reason concerning the provision of a cap on adjustments.

On 11 October 2022, appeals relative to resolution 643/13 were discussed, with the exception of that of Acea Ato2 as the individual to which it had been assigned was not available.

Relative to Acea Ato2, with judgement 736 of 23 February 2023, the Council of State accepted ARERA’s appeal with regards to the judgement of the Lombardy Regional Administrative Court Second Section, no. 892/2022, which had partially annulled the acts approving the Water Tariff Method (MTI) for the years 2014 and 2015, agreeing with the regulator with regards to non-payment of financial charges relative to adjustments. The second level judge agreed with ARERA’s arguments, as in the similar rulings already issued for the Authority’s appeals against, among others, Acquedotto del Fiora, Umbra Acque, GORI and Publiacqua, deeming the regulator’s decision to base adjustments on “effective data and certificates relative to sales volumes” reasonable, while “the riskiness of the IWS’s management activities is already considered in the “beta” tariff value, which was deemed reasonable by a verification body in function of the pursuit of the “full cost recovery” principle. Additionally, the judgement establishes that “recognising financial charges also for adjustments (operating costs) would mean, in terms of profitability, attributing this component substantially the same treatment as investments (capital costs) which pursue a different purpose of improving the quality of the public service”. Finally, the Council of State agreed with ARERA on the fact that the adjustments are already adjusted exclusively in relation to inflation, as already occurs in the other regulated sectors.

The Council of State also rejected the appellant’s claims relative to the illegitimacy of the cap established for the theta multiplier with reference to the component of adjustments, in that the regulation already calls for the same to be exceeded solely under certain conditions and based on a justified request presented by the Governing Body.

With regard to Resolution no. 664/2015, it should be noted that in February 2018 Acea Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/ldr (biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled.

In February 2020, Acea Ato2 also challenged Resolution 580/2019/R/ldr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are



Acea ato5, Acea Molise srl and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/ldr for the adoption of urgent measures in the integrated water service, in the light of the Covid-19 emergency was also appealed). We are awaiting the scheduling of the hearing. In February 2022, Acea Ato2 filed an appeal against resolution 639/2021/R/ldr relating to the two-year tariff update for 2022 and 2023. The challenge of the provision, also carried out by the subsidiaries and/or investee companies of the Acea Group such as Acea Ato5, Acea Molise, Publiacqua, Acquedotto del Fiora, GORI, Gesesa, Umbra Acque and SII Terni, confirms many of the reasons already advanced against the previous tariff resolutions, adding new ones linked to the new regulation enunciated by ARERA. In relation to the reasons pertaining to the new provisions, note both the mechanism for recognition of the cost of energy, deemed inefficient to intercept the real contingent situation, as well as the provisions with which ARERA declared that it wishes to comply with the law of the Council of State on financial expenses on adjustments, treatment of the New Investments Fund and redefinition of the quota subject to reimbursement to users pursuant to Resolution no. 273/2013.

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/ldr of 27 December 2019. In particular, the aforesaid revenues are consistent with the biennial update of the 2020-2023 tariff arrangement approved by the Mayors' Conference of OTA2 on 30 November 2022 and subsequently by ARERA on 17 January 2023. The revenues of the period amounted to € 692.1 million: they include the estimate of adjustments to pass-through items, the FoNI component of € 70.0 million (€ 52.0 million for the FNI component and € 18.0 million for the Amm.Foni).

### Lazio – Acea Ato5 SpA (OTA5 - Southern Lazio - Frosinone)

Acea Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired. The management of the integrated water service in the OTA5 region - Southern Lazio - Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are "outside the scope") for a total population of about 489,000 inhabitants, a population served of 455,164 inhabitants, with a service coverage equal to approximately 93% of the territory. The number of users is 200,091.

With regard to the acquisition of the systems relating to management in the **Municipality of Paliano**, the SII is currently still managed by AMEA, in which the Municipality of Paliano is an investor. Relative to this management, in November 2018 the Council of State issued a definitive judgement on the appeal filed by the Municipality of Paliano against the Regional Administrative Court judgement 6/2018, which accepted the Company's appeal relative to the Municipality, to obtain annulment of the provision with

which the Municipality rejected the transfer of service. Hence, with judgement 6635/2018, the Council of State rejected the appeal presented by the Municipality of Paliano and confirmed the Latina Regional Administrative Court's decision, noting that the protective regime in favour of AMEA was "circumscribed to a period of three years starting from the signing of the Management Agreement between OTAA5 and Acea Ato5; this term was to expire in 2006, after which date the management by AMEA was considered without title".

Since Acea Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to Acea Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties — with deeds of 26 November 2018 and 29 November 2018 — performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the SII, subsequently updated in 2020 and 2021, also identifying necessary projects for the work in terms of purification and sewage.

The Parties subsequently held other meetings, together with the Operational Technical Secretariat of OTA5, in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to Acea Ato5. The fact that not all required information has been received and disputes relative to the methods used to transfer the infrastructure and management of the SII have been documented in notes sent between the parties and in reports sent to the Operational Technical Secretariat and the Lazio Region, with the latter asked to begin commissioner proceedings to apply the substitute powers pursuant to article 172, paragraph 4 of Legislative Decree 152/2006, as amended.

With regard to the **Municipality of Atina**, whose management of the IWS has been transferred to Acea Ato5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to "establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2-bis of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a 'local public service without economic importance'".

OTAA5 appealed the above resolution before the Lazio Regional Administrative Court — Latina Section — also serving the Company and the Lazio Region.

As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Company, it has deemed it appropriate to file suit.

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree no. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have

the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

With reference to **Tariffs**, on 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 - Southern Lazio (hereafter, "OTAA5"), approved the Tariff Structure for the regulatory period 2020-2023 with resolution 1/2021.

This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/ldr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.

With reference to **operating costs** note that the lack of recognition by OTAA5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA5 on 10 March 2021.

Following the tariff scenario approved by the aforementioned Resolution, the company has put in place two separate actions:

- an appeal against this resolution is before the Latina Regional Administrative Court (docket no. 308/2021 section 1);
- submission of the request for economic-financial rebalancing (in accordance with the provisions of Articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/ldr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed to the Council of State with a hearing set for 10 March 2022, at the end of which the Board rejected the appeal and adjourned the case for a decision. The Company prepared a request for withdrawal. The date for the hearing on the merits has not yet been set. On the other hand, with reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of Ato5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks in 2021, making use of qualified external consultants.

Nonetheless, OTAA5 did not approve the rebalancing request sent by the Company by the deadlines established in the regulation.

With Resolution 639/2021/R/ldr of 30 December 2021, ARERA created regulations for the two-year update to tariffs for the integrated water service.

After publication of the stated resolution, the Company provided the Area Authority with data, information and clarifications useful for preparation of the tariff update 2022-2023. Despite the sending of these documents, the Area Authority did not prepare the

tariff proposals for the 2022-2023 period by the deadline set in the regulations in effect (30 April 2022). Therefore, seeing the inaction of the Area Authority, on 30 November 2022 the Company sent to the OTAA6 and to ARERA, via certified email, the tariff request pursuant to art. 6, para. 6.3 of Resolution 580/2019/R/ldr.

On 22 December 2022, ARERA sent OTAA5 a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the regulatory period 2020-2023, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days.

The Conference of Mayors approved the tariff update for the regulatory period 2022-2023 on 11 January 2023, with resolution 1/2023.

With respect to the Company's proposal sent to ARERA on 30 November 2022, following inaction by the Area Governing Body, note:

- non-recognition of the component covering the cost for arrears (COMor) for € 7.5 million;
- a reduction of both the FoNI component of € 4.3 million and the OpMis component for around € 1.6 million.

With respect to the biennial update 2022-2023, at present an appeal has not been submitted to the Lazio Regional Administrative Court given the now well-established tendency of administrative judges regarding the internal procedural nature of the EGATO resolutions on tariffs and the pending appeal to the Council of State.

Both for the Economic Financial Plan approved with resolution 1/2021 and that approved with resolution 1/2023 certain considerations should be reiterated.

Specifically, the stated Economic Financial Plans:

- do not set a certain date for the billing of the past tariff adjustments amounting to around € 50 million (of a total of € 124 million at 31 December 2022, which totalled € 101 million at 31 December 2021);
- call for invoicing of around € 51 million only after the start of 2023 (one year recovered with respect to the 2020-2023 EFP, which called for invoicing starting in 2024), not in a single solution, but made over time;
- do not recognise operating costs of € 3.3 million for the years 2020-2021, resulting in a financial loss for 2021 of the corresponding amount and of € 4.5 million for 2022-2023;
- sets a tariff change that is incompatible with the level of investment and operating costs over the Plan time period, as it does not take into account the financial deficit created for the operator from the previous tariff orders.

In support of the activities carried out and with a view to ensuring economic and financial sustainability, the Manager, on 14 February 2022 with note ref. 47536/2022, submitted to EGATO5 the request for valorisation of the additional component of a forecast nature (Op EE exp.a) to be included in the cost component for electricity (COEE a) pursuant to article 4, paragraph 4.3, of the ARERA resolution 639/2021/R/ldr, in order to anticipate at least in part the effects of the growth trend in the cost of electricity.

This delayed financial coverage is also aggravated by the dragging out of the process by which ARERA approves the tariffs for 2016-2019 and the 2018-2019 update. Consequently, although the Mayors' Conference has authorised the GRC for 2016-2019, 2020-2023 and 2022-2023 to cover the allowable costs (albeit for a lower amount compared to 2020-2023 and 2022-2023), the operator is exposed to the uncertainty surrounding the billing of the past adjustments, which are needed to maintain financial equilibrium over the short-term and also in the medium-long term.

In view of the restrictions imposed by ARERA's tariff method, particularly with regard to the two-year time lag in recognising the allowable costs on the tariff, in the current tariff plan for 2020-2023 and 2022-2023 the AAT05 Mayors' Conference has not guaranteed the funding needed in order for the operator to cover its financial commitments, specifically the plan for repayment of the debt and water service management costs deriving from OTAA5's previous violations of the tariff approvals.

In view of the uncertain regulatory situation surrounding the Company, on 16 June 2022 the parent Acea, SpA authorised the capitalisation of Acea Ato5 by waiving its claims to: the non-financial items (trade and other) due as of 31 December 2021, the overdue capital portion of the interest-bearing loan and the portion of interest due as of 31 December 2021, for a total of € 96,337,589.84. It also restructured the liability on the interest-bearing shareholder loan by waiving the interest accruing from year to year and the capital line, which year on year will become due in 2022, 2023 and 2024 if the Company requests it and if the uncertain conditions remain.

The capitalisation operation performed by the parent Acea SpA is intended to re-establish financial equilibrium, thanks to the reduction in the stock of accounts payable to the parent company and to the significantly positive effects on NFP, thus freeing up financial resources to be allocated gradually to paying off prior trade payables to third-party suppliers.

Additionally, the directors of Acea Ato5 continued to adopt actions to improve the company's financial position, including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- actions to improve efficiency in credit management with the aim of reducing collection times for utility invoices and, consequently, improving collection percentages;
- continuation of actions to contain operating costs as a consequence of the lower revenues coming from the Economic Financial Plan approved by the OTAA5 Conference of Mayors;
- the continuation of an appeal against Deliberation no. 1 made by the Conference of Mayors, approving the tariff proposal for 2020-2023;
- continuation of dialogue with the Area Authority to define reciprocal items, by reconfirming the validity of the settlement proposal adopted by the Conciliation Board established with the Area Authority and its specific content, as well as defining a repayment plan with the OTS for the items excluded by the Conciliation Board, compatible with the current tariff situation;
- the reproposing of a new economic/financial rebalancing request as established in the regulations (based on that indicated in articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment in resolution 656/2015/ldr), illustrating the causes and extent

of economic/financial imbalance in Ato5's management of the IWS and the proposing of hypothesised rebalancing measures, including a request to access financial equalisation measures. The request is currently being updated.

With the actions taken, the Company has succeeded in managing the financial situation already highlighted in the 2021 budget, partially mitigating the financial imbalance. Nonetheless, as a consequence of the approval of the 2022-2023 tariff update, the directors of Acea Ato5 confirmed the ongoing significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the request for economic/financial rebalance currently being prepared for reproposal by the company.

Nevertheless, the Directors have maintained the going-concern assumption in the preparation of the financial statements, considering that the actions taken to preserve continuity, which have been further reinforced by the decisions of Acea SpA, will be enough to allow the ordinary management of the business. They are also confident that the tariff proceedings described above, and the ARERA tariff approvals, will be concluded as envisaged, within a reasonable period of time.

Revenues for the integrated water service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/ldr of 27 December 2019 and resolution 1/2023 of the Conference of Mayors of Ato5 and amount to € 78.9 million, including the estimate of adjustments for pass through items and the FoNI component of € 4.6 million.

Tariff adjustments amount to € 99.7 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for 2012-2018 and the subsequent tariff update of 1 August 2018 by the AGB.

With regard to **relations with OTAA5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTAA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution. In this context, in recent years and especially during 2018 an enormous effort has been made — including organisational efforts — to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 OTAA5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal. It therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.

Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies. On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area Authority and the users of OTAA5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

Specifically, with reference to the individual mutual claims referred for its assessment, the solutions proposed by the Conciliation Board in the aforesaid Conciliation Proposal are as follows:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relating to the 2006-2011 licence fees — the Board of Arbitrators would propose recognition of the debt owed by the Manager for the requested amount of € 1,750,000; it should be noted that this amount is to be understood as an additional recognition with respect to the amount indicated in the settlement proposal made in the context of the aforementioned pending proceedings - see the description in the preceding paragraph "Injunction order for € 10,700,000 and counterclaim OTAA5 concession fees";
- quantification of the concession fee relative to the period 2012-2018, and the linked destination of any economies for a total of € 12,798,930.00 — the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) — the Board proposes recognition of this credit in favour of the Operator;
- compensation of damages suffered by Acea Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina

and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regards to the Area Authority;

- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 — the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by OTAA5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the Ato5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of Acea Ato5, assessed in the amount of € 650,000.00 — the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000; the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 — the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 — the Board proposes recognition of this claim in favour of the Operator.

The "Conciliation Proposal" and the draft "Conciliation Deed" were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the OTS of OTAA5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA5 and Acea Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed,

and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. When the Company was preparing its financial statements for 2019, based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, the Company decided to allocate a provision for risks for € 4,500,000.

To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents. Specifically, it should be noted that the Mayors' Conference on 28 October 2021 resolved that the approval of the Conciliation Deed could only be considered upon the outcome of, at least, the preliminary phase of the Criminal Proceeding 2031/2016 pending before the Court of Frosinone. Subsequently, on 26 January 2022, the OTS of OTAA5 sent the Company a letter ordering it to set up an interest-bearing escrow account within 15 days at the latest, into which the sum of € 12.8 million relating to the aforementioned savings on concession fees for the period 2012-2018, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation roundtable, which — according to the OTS — was allegedly invoiced by the Manager, would be transferred. The Company acknowledged this letter on 10 February 2022, pointing out, among other things, that the Conciliation Board itself in its report, with specific reference to the savings on the 2012-2018 licence fees, had clarified that “these sums can only be considered virtually and abstractly (and not also in actual financial terms) as being available to the Manager” and that they would indeed represent a suitable financial source to cover the debt of € 10,7 million owed to the Manager or, alternatively, — as proposed in the draft conciliation agreement — to reduce the total amount of the tariff adjustments still due to the Manager, which far exceed the amount in question.

However, the Company is willing to set up a round table to discuss the matter further and find the most suitable solution to reconcile their mutual interests.

In view of the foregoing and pending the examination of the Conciliation Proposal by the Conference of Mayors of OTAA5, the Company considers the draft Conciliation approved by the Board of Directors of Acea Ato5 at the meeting of 19 December 2019, as a still valid reference in relation to the overall composition of the issues submitted by the parties to the Conciliation Board and, therefore, considers that the same continues to represent — to the extent of the net amount of € 4.5 million to be paid to the AGB under it — an implicit obligation that can be enforced against it. Therefore, the provision for risks originally recorded in the financial statements as at 31 December 2019 is deemed to be reconfirmed when preparing the Company's 2022 financial statements.

As further confirmation of the continuing validity of the Conciliation Proposal between the parties, it should be noted that on 1 February 2022, the AGB requested the payment of the invoices for concessionary charges issued with reference to the years 2019-2022 and not those issued with reference to the years 2012-2018, which were the subject of the Conciliation Board meeting.

The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and, most recently, on 2 March 2022, in which, respectively, it disputed the amounts of some of the invoices requested by the AGB (the amounts of

which do not match those of the invoices in its possession), it put forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

In a letter of 29 April 2022, the OTS repeated its claims about the concessionary charges and called a meeting for 6 May 2022. On 9 May 2022, the meeting between the parties took place, who agreed on the need to begin technical talks to analyse all the outstanding issues.

The technical panel updated the information on the economies for mortgages already identified in the context of the work of the Conciliation Board, also discounting the fees due from the Manager and reconciling invoices issued and already paid by the latter. Subsequently, with a note issued in December 2022, the Operational Technical Secretariat requested an urgent meeting to deal with the issue of concession fees not yet paid and, more generally, the amount due to the Manager from the Entity. During these meetings, held in the second half of December 2022, the Operational Technical Secretariat presented the problems deriving from the evaluation of its 2021 financial statements. In response to this note, in a note dated 23 December 2022, the Company indicated its continued situation of uncertainty due to the non-approval of tariffs by ARERA within the established schedule. At present, there are no further updates.

Also see that described in the section “Trend of operating segments - Industrial segment - Water” in the Report on Operations.

In reference to additional cases related to legal disputes, filed or being filed, see the “Update on major disputes and litigation” section of this document”.

## Acea Molise

Acea Molise Srl manages the Integrated Water Service in the following multi-regional and multi-area contexts:

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
  - direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA2 Lazio);
  - operation of the purification plant in the Municipality of Valmontone (OTA2 Lazio).

Water management activities carried out in the Lazio Region ended in 2022 due to the natural expiration of the relative contracts and, therefore, sub-entry and transfer procedures were begun for the Systems and networks of the Municipalities of Campagnano di Roma and Valmontone for the new manager Acea Ato2 SpA.

With regards to management of the Integrated Water Service in the Municipality of Termoli, the concession expired on 31 December 2021 but it was again assigned to the Company in 2022, following the awarding of the Project Financing tender issued by the Municipality in February, for “Assignment of execution of projects to protect the territory and water and to improve the integrated water service in the Municipality of Termoli - Public Private Partnership - Project Finance with right of preemption for the promoter (article 183, paragraph 15, Legislative Decree 50/2016)”.



**Municipality of Termoli:** the management of the IWS in the Municipality of Termoli has been technically extended until 30 June 2022, pending the conclusion of the call for tenders concerning the “Entrusting of the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli — Public Private Partnership — Project Finance with right of pre-emption of the promoter (art. 183, paragraph 15, Italian Legislative Decree no. 50/2016)”.

Despite the fact that Acea Molise was the promoter of the Project Finance with the right of pre-emption, on viewing the qualifications for the tender, the Company realised that it did not possess all of the required qualification requirements. Therefore, consideration was given to the opportunity to still participate in the tender and submit an improved offer (losing the right of pre-emption) with the pooling of TWS (Acea group) and third-party operators of Acea's liking. In addition to broadening requirements, this solution would allow for significant group synergies.

On 29 March 2022, the Board of Directors of the parent company Acea SpA (sole shareholder of Acea Molise) gave a favourable opinion to the Company's request to participate in the tender called by the Municipality of Termoli (with the pooling of TWS and third-party operators), and at the same time resolved on the relevant financial support, up to a maximum amount of € 5 million.

Following this, on 30 March 2022, the Board of Directors of Acea Molise, having taken note of the resolution of the partner Acea Spa, also expressed its favourable opinion to participate in the tender with the establishment of pooling.

On 31 March 2022, Acea Molise, in collaboration with the Group Tenders unit, submitted, through a platform made available by the Municipality of Termoli contracting station, an improved offer, investments side, in relation to the tender documents.

The Central Single Contracting Authority met on 19 May 2022, with a note ref. 32122, and communicated the completion of the works by the tender commission with the proposal of awarding the Project Financing in favour of Acea Molise. With Executive Resolution no. 1089 dated 20 May 2022, the contract in question was finally awarded to Acea Molise.

The award of the Project Financing tender called by the municipality of Termoli therefore allows the company to continue with good reason in the management of the integrated water service in that municipality, pending regional decisions by the single area operator. At present, there is evidence of the approval of the Regional Area Plan in January 2022, defined by the EGAM in cooperation with Sogesid (100% held by the Ministry of Economy and Finance), updated in June 2022. Also in June 2022, representatives of the Molisani Municipalities and Azienda Speciale Molise Acque, established a limited liability consortium known as Gestione Risorse Idriche Molisane Scarl (hereafter “GRIM”) fully publicly owned and subsequently (on 29 June 2022), EGAM assigned management of the Integrated Water Service of the single OTA of Molise to GRIM. Finally, on 26 July 2022, EGAM sent ARERA the regulatory convergence scheme to establish the 2022-2023 tariffs for GRIM and, at the same time, in the commitments plan, established that “by 2022, almost all the municipalities (134 of 135) in the provinces of Campobasso and Isernia will fall under sole management, with the exception of the municipality of Termoli, which, currently managed by Acea Molise Srl, will enter sole management at the end of 2023” (ARERA resolution of 6 September 2022 416/2022/R/ldr).

Despite the establishment of the Single Manager for the Molisano Area - GRIM, on 3 August 2022 Acea Molise signed an Agree-

ment with the Municipality of Termoli that legitimises the Company to continue full management of the Integrated Water Service in the Municipality of Termoli for an additional 15 years, until 2037, without prejudice to the possibility of early withdrawal (article 6.2 of the Agreement), if the Sole Manager in the Molisano Area identified by EGAM explicitly asks Acea Molise to sub-enter the service.

At present, GRIM has not presented a formal request to Acea Molise to sub-enter as manager of the integrated water service in the Municipality of Termoli and until the expiration of the Agreement pursuant to article 6.2, Acea Molise must comply fully and entirely with the obligations of the Agreement signed on 3 August 2022.

Nevertheless, developments are awaited regarding the decisions of the Molise Region and the EGAM regarding the operational mode of management of the integrated water service in the Molisano area: through total in-house management or with the (hoped-for) help of a private partnership.

**Municipality of Campagnano di Roma:** the concessionary management of the drinking water distribution service of the Municipality of Campagnano, entrusted in 1991 and extended in 2000 to the entire Integrated Water Service, expired on 31 December 2020 and has been extended until 31 December 2021, pending the ratification by the Regional Council of the move of the Municipality of Campagnano di Roma from OTA1 North Lazio-Viterbo to OTA2 Central Lazio-Rome.

On 14 July 2021, the Regional Council of the Lazio Region, by Resolution no. 10, ratified the transfer of the Municipality of Campagnano di Roma, from OTA1 North Lazio-Viterbo to OTA2 Central Lazio-Rome, an area whose single operator is the company Acea Ato2. During the second half of 2021, a series of meetings took place with the municipality and the Acea Ato2 Area Operator to define the handover of the integrated water service.

Despite the commitment of the parties involved in the management transition, on 14 December 2021, with a letter ref. 37728, the Mayor of the Municipality of Campagnano di Roma, due to the complexity of the procedural process, both administrative and technical, for joining OTA2, asked Acea Molise if it could continue the management of the integrated water service of the same Municipality, for an additional year, and therefore until 31 December 2022, as a reasonably estimated term for the conclusion of the management transition to Acea Ato2. At the same time, he asked Acea Molise for its availability, as of 1 January 2022, to also operate the municipal arsenic treatment plant (Water purifier station) upon tariff adjustment.

On 20 December 2021, with a letter ref. 24984, Acea Molise expressed its willingness both to continue the municipal integrated water service for an additional year and to expand its scope of management by taking over the Water purifier station.

In the initial months of 2022, a series of coordination meetings were immediately scheduled with the Municipality of Campagnano (Granting Body), Acea Molise (outgoing Manager), Acea Ato2 (incoming Manager), e OTAA2 (relevant Area Body). The schedule agreed upon by the Parties set 30 September 2022 as the date to transfer management.

Parallel to technical activities to return the network and plants and administrative activities required for the transfer of commercial accounts, all the preparatory activities were prepared for determination of the Residual Value to be paid by the incoming Manager (Acea Ato2) to the outgoing Manager (Acea Molise) in line with

regulations.

The OTAA2 OTS, at the Conference of Mayors, with Resolution 9/2022 of 29 September 2022, recognised for Acea Molise, as the residual value of the outgoing manager, solely the corresponding value of the residual RAB (investments not yet recognised in the tariff), postponing measurement of regulatory adjustments to any amendments/additions made by ARERA.

On 30 September 2022, the transfer of management for the Municipality of Campagnano di Roma from Acea Molise to Acea Ato2 was finalised, and in order to not lose the right to recognition of regulatory adjustments, the Company invited the interested parties (OTAA1 Lazio Nord-Viterbo and the Municipality of Campagnano) to promptly send the information necessary for approval of the tariff update for 2022-2023 and the relevant provisions associated with the same, so they could be promptly sent to STO OTAA2 Rome and ARERA, as well as definition of the Residual Value, including Adjustments, for Acea Molise as the outgoing manager.

**Municipality of Valmontone:** the management contract for the Kennedy Treatment Plant in Valmontone expired at the end of April 2022, but the parties agreed on a three month extension, to allow the Company to complete the work associated with waste disposal. On 29 April 2022, Acea Molise and the Municipality of Valmontone signed specific Technical Regulations to govern reciprocal technical/economic relations during the three month extension. After the maintenance work agreed on was complete, management of the Kennedy Treatment Plant was returned to the Municipality of Valmontone (prov. Rome) on 31 July 2022, with the simultaneous definitive conclusion of all contractual obligations.

### Campania - GORI SpA (Sarnese Vesuviano)

GORI provides integrated water services in 76 Municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. GORI pays a fee to the grantor of the concession (the Sarnese Vesuviano Area Authority), based on the date the right to manage the related services is effectively acquired. The area of operations has remained unchanged compared to the previous year, since the process of acquiring management is now complete. In fact, 76 Municipalities are managed, i.e. all those falling under OTA3 in the Campania Region.

### 2020-2023 Regulatory Framework

On 10 August 2022 the Executive Committee of the Campania Water Authority (CWA) definitively approved, with resolution 36/2022, the biennial update of the regulatory framework for 2022-2023 for the manager GORI, based on the criteria defined by the Authority in resolution 580/2019/R/idr, as supplemented by 639/2021/R/idr and 229/2022/R/idr; on 5 October 2022, the CWA offices sent ARERA the update of the regulatory framework using the IT procedure.

The update of the regulatory framework approved by the CWA for 2022-2023 saw an increase in the theta of 2.4 for the year 2022 and a theta of 1 for 2023, confirming for both years the values of the tariff increases approved with the previous resolution of the Executive committee, no. 35/2021, which had approved the regulatory framework for 2020-2023 pursuant to ARERA resolution 580/2019/R/idr di ARERA; this tariff update also implemented the provisions issued at the same time by the CWA in relation to

“previous items” (reviewed and redetermined pursuant to the CWA Executive Committee resolution 35 of 10 August 2022) and the “tariff update” subject to a review procedure by ARERA pursuant to the Council of State decision 5309/2021 (specifically with reference to the CWA Executive Committee resolution 34 of 10 August 2022), as better indicated below, while also taking into account the provisions of the additional acts to the Operating Agreement (i.e. additional act no. 1 and additional act no. 2). In particular, in relation to the cited Executive Committee resolution 34 of 10 August 2022, relative to the “Council of State decision 5309/2021. ARERA resolution 247/2022/R/Idr. Determinations on tariff rates relative to the manager GORI SpA for the years 2012 and 2013. Sarnese Vesuvian District Council Resolution 6 of 2 August 2022”, note that, as a consequence of Council of State decision 5309/2021, it was established that ARERA had seen to the renewal of the investigation underlying the tariff decisions approved by the same Authority with resolution 104/2016/R/idr containing “Approval, for the purposes of evaluating adjustments in the context of the tariff method for the second regulatory period MTI-2, of tariff rates relative to the Sarnese-Vesuvian optimal territory area for 2012-2015”. Consequently, with resolution 373/2021/R/idr of 7 September 2021 (and other subsequent resolutions regarding the deadline for completion and other methods) the proceeding to renew the aforementioned investigation was begun and subsequent other resolutions extended the deadline for completion and provided instructions on the methods to implement the actions required of the CWA and other interested entities. Hence, as anticipated, in its cited resolution 34 of 10 August 2022, the CWA Executive Committee certified that the conditions had been met (efficacy and implementation of the Area Plan) for confirmation of that approved by the then operational Extraordinary Commissioner of the Sarnese Vesuvian Area Authority with resolution 17/2013, relative to both years 2012 and 2013 for GORI, the tariff multipliers (theta) in the amount of 6.5% and the Operator Guaranteed Revenue Constraint (GRC) for 2012 and 2013. Consequently, with resolution 457/2022/R/idr “Conclusion of the procedure to comply with Council of State decision 5309/2021 on tariff regulation for the integrated water service”, ARERA completed the procedure begun with resolution 373/2021/R/idr on the basis of the new information, data and documents produced by the Campania Water Authority and confirmed the tariff decision made with resolution 104/2016/R/idr, thereby confirming the values of the theta multiplier and quantification of the adjustments.

Additionally, the Water Authority Executive Committee, with resolution 35 of 10 August 2022, definitively approved previous items prior to 2012 for a total of € 115,000,000; more specifically, the accuracy of the calculation of Previous Items prior to 2012 as approved by the former Extraordinary Commissioner of the Sarnese Vesuvian Area Authority was confirmed, in the amount of € 122,495,027, then reduced to € 115,000,000 as a consequence “... of the economic/financial benefits that may derive from Additional Act no. 2, as well as other possible economic benefits deriving from possible management efficiencies for the IWS in the remaining period expiring in 2032”. To that end, note that, as anticipated, with the Additional Act no. 1 and Additional Act no. 2, the Campania Region and GORI partially amended the GORI repayment plan with reference to the Region, as established in the Operating Agreement, postponing to 2030 payment of the instalment for € 103 million.



The aim was to in this way pursue the achievement of the objectives established in the Operating Agreement, specifically: **i)** realising the necessary scheduled investments, **ii)** guaranteeing economic/financial balance for the integrated water service manager, **iii)** ensuring and maintaining the bankability of the project.

Revenues as of 31 December 2022, which total € 254.0 million, were determined on the basis of the regulatory scheme approved by the Campania Water Authority with Resolution 36/2022, in compliance with ARERA Resolution 580/2019/R/idr, subsequently supplemented by ARERA Resolution 639/2021, with which the Authority defined the criteria for the two-year update (2022-2023) of the tariff arrangements for the Integrated Water Service.

Verification of parameters to identify the regulatory quadrant and the presence of OPnew relative to systematic changes in operator activities in the “presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Campania Water Authority resolved on a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

It should also be noted that, for the calculation of the Guaranteed Revenue Constraint (GRC) as at 31 December 2022, the constraint component relating to the Op<sub>social</sub> supplementary water bonus, pertaining to the year 2022, has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, a specific deliberative act is actually missing; while the Op<sub>social</sub> component related to the years 2020 and 2021 (not recognised in the respective financial statements) was considered in the calculation of the Constraint, as resolved by the Executive Committee of the Campania Water Authority in Resolution no. 2 of 5 May 2022, by which it approved the criteria for the allocation of the supplementary water bonus for the 2020-2021 two-year period.

The purely regulatory components CO<sub>fanghi</sub> and COEE were also considered.

The Opex<sub>QC</sub> and Opex<sub>QT</sub> components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.

Additionally, the component relative to the corrective factor for adjustments was calculated, pursuant to paragraph 27-bis 2 MTI-3 with application of the return rate for fixed assets Kd to adjustments recognised for years 2012 and 2013.

The OPnew included in the calculation were quantified in the same manner as in previous years, and therefore, on the basis of the full cost recovery principle, the costs effectively incurred on plants transferred at 31 December 2022 are covered, as demonstrated in the accounting documents.

At 31 December 2022, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Ve-

suvius area with transfer in December 2018, the Angri Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.

External operating costs Opex<sub>end</sub> were defined based on what is established in article 17.1 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to article 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in article 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI was placed in quadrant 4 of the regulatory matrix. The Opex<sub>end</sub> thus defined, adjusted by the inflation coefficient provided by the Authority as part of the 2022-2023 two-year regulatory update, amount to € 74.8 million.

The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA Resolution no. 580/2019/R/idr as subsequently amended and integrated which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2022, the tariff approved by the CWA by Resolution no. 7 of 26 February 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the “Campania Region” operator and is equal to € 0.20452/m<sup>3</sup>, with the application, for the year 2022, of a theta equal to 1.060 (6% increase).

The pertinent cost at 31 December 2022 on the CO<sub>ws</sub> relating to regional water supplies, according to the principle of full cost recovery, was approximately € 6.9 million, entered for the same amount in GRC and in the related costs.

As regards the CO<sub>ws</sub> of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2022, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m<sup>3</sup>, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI), applying it to volumes treated by the regional plants. Additionally, again with reference to the collection and purification service, adjustments were made in relation to decreases in the cost with reference to prior years for a total amount of -2 million.

Finally, it should be noted that the Government, with a series of

Decree Laws, most recently Decree Law 144/2022, known as the Aid-Ter Decree, introduced a series of measures to support companies handle the energy crisis and associated cost increases.

Among the measures introduced by the Government is the establishment of a tax credit for companies for the purchase of electricity which, in the case the company is not energy intensive (the case of the Integrated Water Service Managers) is equal to 30% of the expense incurred to acquire the energy component, if the price of the same in the third quarter 2022 is more than 30% higher than the third quarter of 2019.

Quantification of the tax credit, calculated for invoices effectively incurred and relative to April-November, is equal to around € 9.2 million and was recognised at 31 December 2022 under the item "Other revenue" in the income statement.

In the relevant GRC at 31 December 2022, to avoid double coverage of the cost of electricity, the quantification of the tax credit was taken into account through an adjustment of revenue (GRC) by an equal amount (-€ 9.2 million), allocated to the item "Exceptional events".

Also note that on 13 October 2022, ARERA, with resolution 495/2022/R/ldr "Reopening the terms for financial advances aimed at mitigating the effects of the growth in electricity costs on managers of the integrated water service", called for a second window within which government entities in the area, based on a request by the relevant manager, could present a justified request to CSEA (by 30 November 2022) to activate types of financial advances, introduced with resolution 229/2022/R/ldr, associated with the obtaining of resources to handle part of the expenses incurred to purchase electricity. The requirements being met, GORI presented the request to the Campania Water Authority on 8 November to request from CSEA a financial advance in the amount of € 11,842,336.80 (that is in the maximum amount,  $0.35 \times \text{COEE}$  2022).

Based on the request presented by GORI, the Campania Water Authority Executive Committee, in resolution 76 of 29 November 2022, decided to ask CSEA to activate the financial advance methods introduced with ARERA resolution 229/2022/R/ldr, associated with obtaining resources to handle part of the expenses incurred to purchase electricity for the manager GORI SpA; on 30 November 2022, the Campania Water Authority sent CSEA the Financial Advance Request for the manager GORI SpA, in the amount requested by the Manager, specifically € 11,842,336.80. As established in resolution 495/2022/R/ldr, the advance was disbursed by CSEA by 31 December 2022, specifically on 27 December 2022 and the Manager must see "to the return to CSEA of the sums advanced in two instalments of equal amount (in relation to the capital portion) maturing respectively on 31 December 2023 and 31 December 2024. The instalments are increased by interest applied to the remaining capital and calculated based on the interest rate applied, equal to that obtained by CSEA for its own liquid assets held with its bank."

### Campania – Gesesa SpA (OTA1 - Calore Irpino)

Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 117,593 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,470, for which 2022 con-

sumption has been estimated at about 7.7 million m<sup>3</sup> of water.

The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users. Regional Law 15 of 2 December 2015, in effect as of 22 December 2015, established the Campania Water Authority (CWA), to which "all local entities must obligatorily adhere" if falling within territory of the region. CWA's responsibilities can be summarised as follows: **i)** selecting the management model, **ii)** approving the tariff proposal for the integrated water service, **iii)** assigning this service to "third party" manager entities, based on indications received from each district council and **iv)** monitoring these operations. This is without prejudice to any substitute and supervisory powers over the activities of the CWA held by the Campania Region.

To achieve greater management efficiency and improved service quality for users, the area of the regional OTA was divided into five district areas, including "Calore-Irpino", which includes all the management entities within the province of Benevento. With Regional Council resolution 434 of 3 August 2022, the Campania Regional Council acknowledged resolution 26 of 27 July 2022 of the Campania Water Authority Executive Committee and amended the composition of the single regional OTA district areas, subdividing the Calore Irpino district area into two separate district areas: Irpino and Sannita.

On 5 October 2022, with the appointment of the District Council, the district area became fully functional and at its first meeting on 25 October 2022, "selected the type of management pursuant to article 14, paragraph 1, letter b) of Regional Law 15/2015", resolving, among other things:

- that management of the IWS in the Sannita District Area would be entrusted to a mixed public/private company, as a solution able to combine the interests of the Municipalities with the need to have private capital for the start-up phase of the new manager and to carry out the planned projects, as well as the know how of an industrial operator that already has significant experience in the integrated water service sector;
- for the purposes of the previous point, to express the guideline that the offices of the CWA prepare the planning documents for the IWS relative to the Sannita District area, taking into account the Council's wish that the sole management of the service be entrusted to a mixed public/private capital company, reserving the relative majority for the Municipalities of the Province of Benevento, reserving for the private shareholder to be selected through a dual purpose tender, a portion of the share capital equal to a maximum of 49%, in compliance with article 17 of Legislative Decree 175/2016, and reserving for the public part an absolute majority of the shareholding structure.

At present the CWA is proceeding with activities to prepare the dual purpose call for tender to identify the private shareholder:

- definition of the area plan for the Sannita District;
- establishment of the in house company for the Municipalities of the Province of Benevento which will hold a majority of the share capital of the mixed company to be established;
- determination of the sub-entry value (residual value of investments + tariff adjustments to be invoiced) that the private shareholder must pay Gesesa.

After various conversations, the CWA set the end of March as the

date for completing the activities above and 2023 as a deadline for completing the consequent tender. Subsequently, all tender activities will be begun, which will lead to the identification of the private shareholder and the consequential activities to arrive at the entrusting of the IWS to a new manager. The CWA will ensure that all of this is completed during 2023.

With regards to approval of the proposed tariffs in progress, note that despite the activities implemented by the company, the request made to ARERA to exercise substitute powers and the consequent formal warning sent by the Authority to the CWA to resolve the breaches associated with the same, the CWA has not yet approved the biennial proposed updates for 2018-2019 nor the update for the third regulatory period, 2020-2023. Additionally, during the year the Company prepared its final data for the years 2020 and 2021 and the Works Programme to prepare the proposed tariff revision with definition of the GRCs and Thetas for 2022-2023, revising the investment programme for 2020-2023, pursuant to ARERA resolutions 580/2019/R/idr and 639/2021/R/idr. All the documentation produced was validated by the CWA on 7 November 2022 and the proposed tariff 2022-2023 is awaiting approval by the Campania Water Authority.

As a result of the above, the items of the financial statements concerned — in particular revenues and related customer receivables — were updated and recognised in 2022 on the basis of the new Guaranteed Revenue Constraint (“GRC”) forecast for 2021 and the calculation tool prepared for the 2022-2023 biennial adjustments, awaiting approval by the relevant entities.

On 28 February 2023, the company formally asked ARERA to exercise its substitute powers to approve the 2022-2023 tariff update, sending a formal warning to the CWA to approve the regulatory scheme submitted.

In relation to proceeding 231 associated with the company, note progress in the criminal proceeding 5548/2016, with a preventive seizure of 12 water treatment plants managed by Gesesa and appointment of a Judicial Administrator.

Following the proceeding above, an independent proceeding was begun involving the position of the company relative to which action was taken with regards to certain crimes contemplated under Legislative Decree 231 of 2001.

On 15 November 2021, the Judge of the Court of Benevento issued a preventive seizure order relative to Gesesa, executed on 29 November 2021, in that the Benevento Public Prosecutor had charged Gesesa, in terms of liability pursuant to Legislative Decree 231 of 2001, all the crimes contemplated by the stated Legislative Decree, which real persons had already been charged with. That being established, with regards to the merits, based on the accusations summarised above, the Judge granted preventive seizure as requested by the Public Prosecutor, in the amount of € 78,210,529.00, relative to Gesesa. Given the unfounded nature of the accusations and the abnormality of the measures applied, through its trusted attorneys Gesesa appealed the seizure order. On 22 December 2021, the Benevento Court of Appeal granted the appeal presented by the company and fully annulled the seizure ordered by the Judge. This annulment was not appealed and, therefore, this decision became final.

On 25 January 2022, notification was received that the investigations of the Company had been completed and on 17 June 2022 notification was received by the real persons and the com-

pany of the provision requesting indictment; the date for the preliminary hearing, initially set for 23 January 2023, has been postponed to 26 June 2023 due to the absence of the relevant judge.

That being established, note that the company, pursuant to article 17 of Legislative Decree 231/2001, has begun actions to verify any risks and identify possible improvements that have allowed it to align its control system with the requirements of the law. These improvements have given rise to an action plan to revise and strengthen the internal control system.

In particular, with regards to the plants subject to preventive seizure, following a virtuous path of more than two years, with total outlays of € 891,060.34 by the Company, to implement the requalification projects requested by the Judicial Administrator, the requalification activities were effectively completed for the plants subject to seizure.

Following these activities, the Judicial Administrator, with a specific Report filed with the relevant Prosecutor, acknowledged the conclusion of the same with a satisfactory completion of the newly functional plants. In the light of this report, with a provision of 9 September 2022, the Public Prosecutor's Office deemed as “ceased the requirements that gave rise to the appointment of the Judicial Administration for the operation of the purification plants”, while it did not hold the requirements for release from seizure of the same yet met, with a provision of 14 September 2022 the Judge consequently ordered termination of Judicial Administration and confirming seizure with the right to use the treatment plants by Gesesa. Four months have now passed since this provision without any major issues being identified in the management of the stated plants. Gesesa has decided to send a request to release the seizure of the purification plants in question. This will be presented no later than the end of February.

With regard to any risks concerning the final outcome of the proceedings, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings.

Finally, with reference to the sanction proceedings under DSAI/26/2018/idr, on 21 June, the Authority issued Resolution 262/2022/S/idr — Imposition of pecuniary administrative fines for violation of IWS tariff regulation, imposing a fine totalling € 83,700. The Company paid the fine in 2022.

## **Tuscany - Acque SpA (OTA2 - Basso Valdarno)**

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the “Update of the tariff structure 2018-2019”, the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023. With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/idr ARERA approved the tariff proposal.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases. Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: **i)** Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, **ii)** RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. These new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate.

The 2020 - 2023 tariff arrangement was approved by ARERA on 28 September 2021 by Resolution no. 404/2021/R/idr. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020 - 2023 were also approved. The submission of preparatory data for the two-year tariff review is currently underway.

As is known, with Resolution 639/2021, ARERA recalculated the WACC for the years 2022 and 2023.

For the same level of investment, this will result in a decrease in the Financial and Tax Charges recognised and this decrease is partially offset by the revaluation of the RAB due to the deflator.

With Resolution no. 183/2022/R/idr of 26 April 2022, the final results from the application of the incentive mechanism for regulation of the technical quality of the IWS (RQTI) for the years 2018 - 2019 were published. The Company was granted bonuses of € 341 thousand for 2018 and € 382 thousand for 2019 for the M1 Macro-indicator, which CSEA has already paid on 2 June 2022.

Additionally with CD Resolution 14/2022 of 25 November 2022, AIT approved the biennial tariff update for 2022 and 2023. The main elements of the revision are:

- tariffs: the thetas previously approved for years 2022 and 2023 were confirmed; slight increase in thetas for 2024-2031;

- tariff adjustments: increase of around € 8 million with a slight anticipation in recovery of the same (by 2024 instead of by 2025);
- Plan of Works 2020-2031: increase of around € 76 million net (from € 800 million to € 875 million) and € 114 million gross, for more maintenance and replacement projects; partial rescheduling of framework agreement projects and adaptations for regional laws on EU/NRRP infractions. Also note a reduction on the part of AIT for IT projects.

For both years 2022 and 2023 the electricity anticipation component OPexp EE was inserted.

On 24 November 2022 EGA was set the request for activating types of financial advances associated with obtaining resources to handle expenses incurred to acquire electricity, in turn presented to ARERA/CSEA, pursuant to that established in ARERA resolutions ARERA 580/2019/R/idr, 639/2021/R/idr and 229/2022/R/idr. The amount requested, the maximum Acque could request, was € 5,055,080. On 29 December 2022, CSEA disbursed the advance which must be repaid in two instalments of equal amount: the first by 31 December 2023 and the second by 31 December 2024.

It should be noted that in relation to the average defined cost for electricity, the Company appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment.

Finally, it should be noted that as of 1 January 2022, Acque has taken over from Acque Toscane in the management of the water service in the municipalities of Montecatini and Ponte Buggianese.

### **Tuscany - Publiacqua SpA (OTA3 - Medio Valdarno)**

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.

Note that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation.

On 16 February 2021, with Resolution no. 59/2021/R/idr, ARERA approved the specific regulatory framework containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/idr and related Annex A, containing “2020-2023 Water Tariff Method MTI-3”. Also note that on 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31 December 2024 was signed with the AIT.

Following the start of the tariff update process for the 2022-2023 two-year period, Publiacqua sent all the data to the AIT for approval of the tariff provision. The AIT approved the same in February. Finally, note that in Q4 2022 activities with the AIT involved various aspects of regulation. After Publiacqua sent the proposed Addendum to the Single Regulation in May, with the technical schedules and prices for services, dialogue with AIT led, as stated previously, to approval of the tariffs for 2022-2023.

### **Tuscany - Acquedotto del Fiora SpA (OTA6 - Ombrone)**

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 2031. With regard to provisions of interest to AdF, based on that established in the cited ARERA resolution, on 14 December 2022, based on the actual data collected referring to the years 2020 and 2021 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal, setting the GRC and the Theta for 2022-2023 and also redesigning the entire tariff profile until the end of the IWS concession (AIT Executive Council Resolution 17/2022 of 14 December 2022). This tariff proposal was then sent to ARERA for final ratification.

The revenues and GRC recognised in the 2022 financial statements are based on the cited AIT resolution, currently being verified and validated by ARERA for final ratification.

### **Toscana - GEAL SpA (OTA1 - Toscana Nord)**

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with the AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015. With regard to tariffs, it should be noted that ARERA approved the plan for the four-year period 2016-2019 with Resolution no. 726 of 26 October 2017 and approved the related update with Resolution no. 387 of 12 July 2018, also incorporating the request made by GEAL for the recognition of the OpexQT component for € 180,000/year. Regarding the four-year period 2020-2023, on the basis of the rules established by ARERA Resolution no. 580 of 27 December 2019, GEAL provided all documentation required for preparation of the new plan in the initial months of 2020, in line with the deadlines set by the AIT. On the basis of this data and the verifications carried out jointly by the Company and ARERA, the tariff provisions for the years 2020-2023 was prepared, and subsequently approved with AIT Resolution no. 4 of 28 September 2020. The dynamics of tariff increases planned for the four-year period 2020-2023 are the same as those approved by ARERA in 2018, even though the new rules of the MIT-3 have imposed new limits on operators. We can note that with ARERA Resolution no. 265 of 22 June 2021, the tariff structure for 2020-2023 was approved. In particular, this resolution confirmed the increases envisaged by AIT Resolution no. 4 of 28 September 2020, equal to 6.2% for each of the 4 years. Finally, it should be noted that on 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for

the years 2022 and 2023. The document, as per good practice, has been brought to the attention of ARERA for final approval of the tariffs. It should be noted that ARERA, with Resolution no. 183/2022/IdR, awarded the Company a bonus of € 2.805 million (Acea share € 1.346 million) already paid for the results achieved in Technical Quality in the 2018-2019 two-year period.

### **Umbria - Umbra Acque SpA (OTA1 - Umbria 1)**

On 26 November 2007, Acea was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA1 Perugia for selection of the private minority industrial partner of Umbra Acque SpA (expiry of the concession originally set for 31 December 2027 and which following the Assembly of Mayors of the AURI with resolution 10 of 30 October 2020 was extended to 31 December 2031). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

As of 31 December 2022, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/IdR of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which, for 2022, provide a theta of 1.105 and an increase of 5.24% compared to 2021, also due to the billing of GRC adjustments for 2018. This increase for 2022 was confirmed with the AURI Assembly of Mayors resolution 10 of 25 October 2022, "Updating tariff provisions for 2022-2023" and subsequently with ARERA resolution 63/2023/R/IdR of 21 February 2023. The average tariff €/m<sup>3</sup> was approximately € 3.08 at 31 December 2022. The number of users served was approximately 236 thousand units (+0.5% compared to 31 December 2021). With reference to volumes, on the basis of the estimates made, approximately 28.2 million m<sup>3</sup> of water were distributed, in line with 2021. As invoicing operations were not yet complete when these final figures were compiled, cubic metres distributed but not yet invoiced were estimated and the relevant rate determined based on historic values and prospective measurements.

When assessing the revenues for GRC in 2022, the company carried out a full adjustment of electricity costs incurred, in consideration of:

- article 1.1, letter c) of ARERA resolution 229/2022/R/IdR of 24 May 2022;
- ARERA resolution 64/2023/R/IdR of 23/02/2023 which in its initial clauses confirms the possible repetition of that established relative to 2021 in paragraph 1.1, letter c) of the cited resolution 229/2022/R/IdR;
- ARERA's acknowledgement in resolution 63/2023/R/IdR of 21 February 2023, approving the "Update of the tariff provisions for 2022-2023", of the insertion in the 2022/2031 Tariff Profile of the estimate of the adjustment component relative to 2022 and 2023 fully covering the greater costs incurred (around € 50 million total) and EGA's commitment to present a justified request for recognition of the additional electricity costs for 2022/2023 in the context of quantifying the adjustment component "costs (...)" for the occurrence of exceptional events".



It should be highlighted that, with Directorial Decree 1 of 10 January 2023, the General Directorate for Dams of the Ministry of Infrastructure and Transport, € 25 million was assigned to the Districting project for the distribution network, to reduce losses in the area managed by Umbra Acque, for a total value of € 52 million. Implementation of the project is planned for 2023-2025, with the final objective of achieving an overall 30% decrease in losses.

Finally, note that ARERA Resolution 183/2022/R/ldr awarded the Company a bonus of € 1,532 thousand for the results achieved in Technical Quality in the 2018-2019 two-year period. The bonus was received in the month of June.

Note that in 2022 the Company was forced to incur greater costs for raw materials, in particular electricity, which reached unprecedented heights, as well as for materials for investment projects and management activities. These increases had significant negative impacts on the company's liquidity, which consequently saw cash requirements higher than expected. In implementing all the actions useful for guaranteeing economic and financial balance and business continuity, the company utilised all the extraordinary tools and measures made available by legislators and authorities, including use of the MIMS compensation fund (requests presented for a total amount of € 1,378 thousand), a financial advance of 35% of the cost established in the current Tariff Plan for 2022 by CSEA equal to € 5,193 thousand (see ARERA resolution 229/2022/R/ldr) and electricity tax credits established in the Aid Decrees, acquired in 2022 for a total of € 3,042 thousand and recovered through off-setting in the income tax declarations for payment of contributions, taxes and VAT.

### **Umbria - SII ScpA (OTA2 - Umbria 2)**

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria no. 2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no. 4 of the Umbria AURI). The Terni Area covers an area of 1,953 km<sup>2</sup>, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. Users served total around 121 thousand and the water network covers 2,602 km.

Pursuant to ARERA Resolution 639/2021 for the two-year update (2022-2023) of tariff arrangements, the Company supplied and

submitted to AURI the data collection for 2020 and 2021, completed with the applications for the recognition of the Rcarc, Op-mis, Opsocial and OpexQC components. At the same time, it has produced what is required to allow AURI to formulate a reasoned request to the CSEA for the activation of forms of financial advances related to the procurement of resources to meet part of the expenses incurred for the purchase of electricity in accordance with ARERA Resolution 229/2022. With resolution 12 of 25 October 2022, AURI approved the update to the tariff provision for 2022-2023, establishing full recovery of the greater cost for electricity supplies in compliance with the cap on tariff increases. This was achieved through utilisation of the adjustment component "costs (...) for the occurrence of exceptional events" which will begin to influence tariffs starting in 2024. To achieve this result, the IWS prepared and sent to EGA, in October, the energy efficiency plan prepared in accordance with the guidelines in ARERA resolution 229/22. Thanks to ARERA resolution 495/22 of 13 October, with which the Authority called for a second window within which relevant government entities, upon a request by the relevant operator, could send a justified request to CSEA to activate types of financial advances, introduced with resolution 229/2022/R/ldr, associated with obtaining resources to handle expenses incurred to purchase electricity, AURI presented the relative request for disbursement of the financial advance established in the amount of 35% of the cost of electricity in the tariff for 2022. On 29 December 2022, CSEA disbursed € 2.5 million in favour of the IWS which must be repaid in two annual instalments (December 2023 and December 2024).

During 2022, the Company amended the Regulations for the drinking water distribution service and the Service Charter to accommodate the new features of ARERA Resolution 609/2021, mainly concerning the treatment of hidden leaks compared to the procedures adopted so far. This revision was approved by the Consumer Council at its meeting on 15 June 2022.

Finally, on 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78/2023/R/ldr of 28 February 2023.

### **Progress of the procedure for approving the tariffs**

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023, as well as the two-year tariff update for 2022-2023.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. <u>The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.</u>	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr.	Following the formal warning of 18 October 2022 sent by ARERA, the Conference of Mayors approved the 2022-2023 tariffs on 30 November 2022. ARERA approval arrived with resolution 11/23 of 17 January 2023.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opexqc. ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opexqc. Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. ARERA has not yet given its approval. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.	Following the formal warning sent by ARERA on 29 November 2022, EGA approved the 2022-2023 tariff proposal on 11 January 2023. ARERA has not yet given its approval. Activities to update the rebalancing request are in progress.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opexqc as of 2017. Approval by ARERA is awaited. With Resolution 247 of 31 May 2022, ARERA ordered CWA to employ and submit - within 90 days - specific determinations regarding tariff arrangements for the years 2012 and 2013. The measure at the same time extends the deadline for the conclusion of the proceedings to 30/09/2022, for the renewal of the contradictory preliminary investigation underlying the tariff determinations in Resolution 104/2016 (2012 - 2013 and 2014 - 2015)	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. Following a warning from ARERA, the CWA (Campania Water Authority) with a resolution dated 12 August 2021, approved the 2020-2023 tariff proposal. ARERA has not yet proceeded with approval.	On 10 August 2022 with resolution no. 35 the CWA approved the two-year update 2022-2023 including the earlier items prior to 2012. Approval by ARERA is awaited.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opexqc. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.	AIT approved the 2022-2023 update on 25 November 2022. Approval by ARERA is awaited.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. <u>On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.	The AIT Executive Council approved the update for 2022-2023 on 22 February 2023. Approval by ARERA is awaited.



Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the OpexQC. <u>On 12 October 2017, with resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised OpexQC) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021.	AIT approved the 2022-2023 update on 14 December 2022. Approval by ARERA is awaited.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the OpexQC. <u>On 26 October 2017, with resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.	On 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for the years 2022 and 2023. Approval by ARERA is awaited.
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.	Currently being defined with EGAM.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/ldr MTI-3 of 27 December 2019. The CWA convened the District Council for 22 July 2021 (findings report on checking of the minutes of 31/7/20) following the warning from ARERA received on 2 July 2021. In February 2022, a new District Council was appointed, which has not yet expressed a position on the tariff arrangements.	Currently being defined with the CWA Executive Council.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates.	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/ldr of 25 May 2021.	With resolution 12/2022 of 29 July 2022, the AIT Executive Council approved the tariff provisions for 2022 – 2023. ARERA provided approval with resolution 535/2022 of 25 October 2022.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the OpexQC. <u>The ARERA then approved them in Resolution 764/2016/R/ldr dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018.	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 63 of 21 February 2023.
SII Terni ScapA	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78 of 28 February 2023.

## Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue for 2022 valued on the basis of the new MTI-3 Tariff Method. The data also include the adjustments of passing items and the FoNI component. Also note that following publication of resolution 64/2023 on "Launch of proceeding

to define the water tariff method for the fourth regulatory period (MTI-4)" for 2024-2027, with reference to costs for electricity purchases incurred in 2022, the possibility to resubmit the justified request for recognition of these costs will be established for 2022 as well.

Company (pro quota values in € million)	Revenue from the IWS	FoNI
Acea Ato2	692.1	FNI = 51.9 AMMFoNI = 18.1
Acea Ato5	78.9	AMMFoNI = 4.6
GORI	254.4	-
Acque	71.4	FNI = 1.3 AMMFoNI = 4.8
Publiacqua	98.3	AMMFoNI = 16.1
AdF	113.5	AMMFoNI = 13.1
Gesesa	15.4	-
Nuove Acque	8.8	AMMFoNI = 1.6
Geal	8.7	AMMFoNI = 1.3
Acea Molise	6.4	-
IWS	47.7	-
Umbra Acque	40.6	AMMFoNI = 1.7

## RELATED PARTY TRANSACTIONS

### ACEA GROUP AND ROMA CAPITALE

Trading relations between Acea Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental-water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.

Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.

Acea and Acea Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty-year concession agreements. Further details are provided in the section "Service concession report".

For further information regarding relations between the Acea Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 26 of this document.

The following table shows details of the main revenues and costs at 31 December 2022 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	31/12/2022	31/12/2021
<b>Revenues</b>		
Supply of fresh water	48,318	41,244
Supply of electricity	332	94
Public Lighting Service contract	49,585	32,368
Public Lighting contract interest	5,380	6,338
Water maintenance service contract	50	170
Monumental fountain service contract	50	170
<b>Costs</b>		
Concession fee	26,337	26,337
Lease fees	112	111
Taxes and duties	3,696	2,967

Reference should be made to note 25.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2021	Collections/ payments	Accruals 2021	31/12/2022
Receivables	150,421	(105,798)	105,870	150,494
Payables	(182,598)	159,765	(125,946)	(148,779)

Also see that indicated in the "Relations with Roma Capitale", in the "Summary of Results" section within the Report on Operations.

### ACEA GROUP AND ROMA CAPITALE GROUP

The Acea Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of

electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the Acea Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA SpA	166	1,371	4,528	4,915
ATAC SpA	88	68	6,207	1,388
Assicurazioni di Roma - Mutua Assicuratrice Romana	(0)	211	9	7
<b>Total</b>	<b>254</b>	<b>1,650</b>	<b>10,744</b>	<b>6,311</b>

## ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The Acea Group companies maintain trading relations that mainly concern the supply of electricity and water.

The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to

free market users are in line with the sales policies of Acea Energia. The following table shows amounts relative to the most significant economic and equity relationships between the Acea Group and the main associated companies in the Caltagirone Group at 31 December 2022.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	147	103	79	58

## ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 31 December 2022. It must also be noted that the financial balances described above do not include relations with companies in the

Group consolidated under the equity method., which are included in the financial statements.

€ thousand	Revenues	Costs	Receivables	Payables
Suez Environment Company SA Group	(248)	1,178	242	1,178

### List of significant related party transactions

During 2022, a major operation was approved between Acea, the first party, and Nuova Suez and Suez International SAS ("Suez International", fully and directly held by Nuova Suez), the second party, to design a cutting edge intelligent metering system for the water service ("smart meter") and subsequent production and commercialisation in Italy and abroad, through a specific commer-

cial partnership between Acea and Suez International.

The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

#### Impact on the Statement of Financial Position

€ thousand	31/12/2022	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Financial assets	30,531	4,865	15.9%	22,549	8,319	36.9%
Trade receivables	1,267,445	61,714	4.9%	1,071,644	51,601	4.8%
Current financial assets	342,085	117,998	34.5%	407,944	113,981	27.9%
Trade payables	1,862,709	41,985	2.3%	1,683,563	51,965	3.1%
Borrowings	619,418	108,523	17.5%	285,222	120,137	42.1%

#### Impact on the Income Statement

€ thousand	31/12/2022	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Consolidated net revenue	5,140,692	148,412	2.9%	3,972,061	101,556	2.6%
Consolidated operating costs	3,863,568	65,557	1.7%	2,737,035	52,416	1.9%
Total financial (costs)/income	(85,708)	1,051	(1.2%)	(85,897)	7,142	(8.3%)

#### Impact on the Cash Flow Statement

€ thousand	31/12/2022	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Increase in receivables included in the working capital	(247,714)	(10,113)	4.1%	(184,891)	(14,707)	8.0%
Increase/decrease in payables included in the working capital	127,769	(9,980)	(7.8%)	90,810	58,974	64.9%
Collections/payments deriving from other financial investments	72,190	(563)	(0.8%)	1,340	(100)	(7.4%)
Dividends received	3,381	3,381	100.0%	7,423	6,915	93.2%
Decrease/increase in other short-term borrowings	84,249	(11,614)	(13.8%)	(146,968)	(44,792)	30.5%
Dividends paid	(143,195)	(143,195)	100.0%	(96,743)	(131,833)	136.3%

## UPDATE ON MAJOR DISPUTES AND LITIGATION

### TAX ISSUES

#### Tax audit of SAO (now incorporated into Acea Ambiente)

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of Article 14, paragraph 4-bis of Law no. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.

By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs. On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now Acea Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD SpA, with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The Company's defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

The Court of Cassation with judgements no. 29153/21 and no. 29400/21, overturning completely the rulings of the Tax Commissions, cancelled the appealed judgements and sent the case back to the RTC of Umbria for a new examination of the disputes.

On 5 December 2021, proceedings resumed for Court of Cassation decision 29153/21 of 20 October 2021 and Court of Cassation decision 29400/21 of 21 October 2021 (our ref. no. 2715-01/02); section 1 of the second level Tax Court of Umbria, with decisions 80/2023 and 81/2023, ruled as follows: "*Lifting its reservation, the*

*Court rejects the Revenue Agency's appeal and orders it to pay court costs*".

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to € 1.3 million, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Court of Cassation with judgement no. 33284/21 of 11 November 2021, accepted the appeal presented by the Revenues Agency against the judgement of Sect. no. 4 of the Umbria RTC no. 52/04/12 of 26 March 2012, which had cancelled the measure with which the Office ordered the suspension of disbursement of the VAT rebate related to the 2003 tax period.

It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By ruling no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenues Agency lodged an appeal to the Court of Cassation. With judgement no. 29050/21 of 20 October 2021 the Court of Cassation rejected completely the appeal presented by the Revenues Agency.

#### Tax audit of areti

In the Report on Findings (PVC) concerning the general inspection for 2010, an assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.

On the basis of the notification made in the PVC, the Lazio DRE - Major Taxpayers' Office served five notifications of assessment concerning VAT for 2009, 2011, 2012, 2013 and 2014.

With regard to the notices relating to 2009, 2011 and 2012, the Regional Tax Commission considered the company's reasons valid and annulled the notices of assessment, and the litigation is now pending before the Court of Cassation. With relative to the year 2013, the CTR granted the Office's appeal. The term to file an appeal with the Court of Cassation was 27 March 2023, extended to 27 December 2023, pursuant to the 2023 Budget Law. With reference to the notice of findings for 2014, with decision 4293/2022, the CTP

granted the Company's appeal. The Office has appealed the same and the company appeared as appropriate.

On the basis of another report, the Company received notices of assessment for the years 2011 to 2014 concerning the IRAP treatment of tariff benefits granted to employees and former employees. Relative to the year 2011, the CTR, confirming the first level decision, annulled the notice. With an ordinance filed on 31 May 2022, the Court of Cassation rejected the Attorney General's appeal which can therefore be considered concluded. With reference to 2012, with decision 3612/2022, filed on 12 August 2022, the judges granted the Office's appeal. The deadline for filing an appeal for the Court of Cassation was 28 February 2023, extended to 28 November 2023, pursuant to the 2023 Budget Law. For 2013, with decision 5567/2022 the CTR rejected the Company's appeal. The deadline for the appeal was to be 1 June 2023, but is extended to 1 March 2024 pursuant to the 2023 Budget Law. For the year 2014, the CTP rejected the appeal with decision 12424/16/2021. The company appealed this decision in line with the law. At present the date for the hearing has not yet been set.

### Tax disputes/lawsuits with ARSE

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo Srl, a company in the photovoltaic segment. The tax demanded, including interest, amounts to € 672 thousand.

On 7 March 2016, the beneficiaries of the ARSE – Acea SpA, Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.

On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. The hearing was held on 9 June 2022 and the CTR, in decision 3450/2022, rejected the Office's appeal, with legal expense reimbursement. The deadline for the Office to file an appeal with the Court of Cassation was 27 February 2023, extended to 27 November 2023, pursuant to the 2023 Budget Law.

### Tax audit of Acea Ato5

On 7 March 2018 the Guardia di Finanza – Economic and Financial Police Unit of Frosinone – Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.

On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.

On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKOOC6M02152/2018, with which the tax return was

adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against the said assessment before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.

In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.

It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.

It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.

As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017. With reference to the findings related to the lack of jurisdiction disputed for 2015, supported by its tax advisors, having carried out the appropriate assessments of the risk profiles related to the aforementioned findings, the Company allocated a provision for tax risks for approximately € 701 thousand, whereas, with reference to the other findings, supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.

Also in relation to the aforementioned last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- notice of assessment no. TKQOE6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOC6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of Ires assessment were served to the Parent Company Acea as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless.

The PTC of Frosinone accepted the company's defensive arguments and cancelled the notices related to IRES years 2013 and 2014 and IRAP year 2014 ordering the Agency to pay the costs. The Revenues Agency lodged an appeal. The Company entered an appearance at second instance by filing counterarguments. The case is pending as a hearing is still to be fixed.

On 23 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;

On 28 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company Acea as consolidating company.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. The hearing relative to the aforementioned IFES rulings was set for 27 September 2022. An additional hearing has been set for 14 February 2023. The decision of the Tax Court is awaited.

## Customs audits of Umbria Energy SpA

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.

The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.

The company promptly challenged these provisions with the relevant institutions.

In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjustments, the procedure to be applied is that of submitting a formal request for reimbursement to the Office in accordance with art. 14 of the Environment Act. The relevant sentences were promptly appealed by the Company and the corresponding judgements are currently pending before the Perugia CTR, which has postponed the proceedings to be rescheduled.

With regard to the deeds challenged by the Company relating to

the electricity injected for consumption in the province of Terni for the year 2010, the decision of appeal, while confirming the decision of the first instance with regard to the tax due, found that the obligation of the Office to recalculate the penalty was justified. The ruling was promptly appealed by both the Company and the Customs Agency and the relevant case is currently pending before the Supreme Court of Cassation.

Management carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional, appointed to defend the Company.

At 31 December 2022, as there are no new elements that could change the assessment of the risk inherent in the dispute in question, the provision of € 1.0 million has been kept unchanged with respect to the previous year.

## OTHER ISSUES

### Acea Ato5 - Injunction order for payment of € 10,700,000 and counterclaim to OTAA5 for concession fees

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, Acea Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the OTAA to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the OTAA sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

Acea Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge — in an Order filed on 24 July — suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the OTAA.

During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case.

The Court of Frosinone, with sentence no. 304/2017:

- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no. 5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settle-



ment Agreement of 27 February 2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called “price cap” principle is only valid for any tariff increases;

- annulled the injunction order on the assumption of the nullity of the Resolution of the Mayors’ Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;
- rejected the requests prepared subordinately (in the event that the Settlement Agreement had been declared invalid) by Acea Ato5 defence attorneys, intended to obtain recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority, which, it is useful to note, in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt, describing the existence of a residual credit of approximately € 7,000,000.00. At the hearing on 17 November 2017, the following documents were filed on behalf of Acea Ato5: copy of the transfer of 31 July 2017 for € 2 million; copy of the transfer of 4 October 2017 for € 2,244,089.20 and the Acea Memo dated 16 November 2017. With reference to the latter memo, the following were highlighted:
  - a. the commitment of Acea Ato5 to pay € 1,370,000 by December 2017;
  - b. the dispute of any other indebtedness regarding concession fees.

In response to production of the above documents, the counterparty — initially convinced to recognise the sums of the transfers of 31 July 2017 and 4 October 2017 as contributing to the sums due by Acea Ato5 for the Concession Fee — acknowledged the production of the documents, declaring the requirement, including due to the content of the Memo dated 16 November 2017, to “refer” to OTAA5. In light of the above, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. During the aforesaid hearing, documents were submitted attesting to the latest payments by Acea Ato5 in favour of OTAA5.

Consequently, the Company — through its lawyers — described that:

- in response to the commitment to pay € 1,370,000 by December 2017 — Acea Ato5 paid:
  - € 1,287,589.00 on 5 January 2018, directly to OTAA5;
  - € 85,261.93 on 22 November 2017 to the Consorzio Valle del Liri (as part of the larger payment of € 178,481.68 in execution of the settlement agreement of which said Area Authority is part, in which, under art. 2.1, it was acknowledged that the payment of € 178,481.68 would count towards the 2010-2011-2012-2013-2016 fees); for a total of € 1,372,850.93;
- with these latest payments, Acea Ato5 has fully paid the entire concession fee related to the 2006-2012 period: the above is also expressed by Executive Resolution of the OTS no. 88 of 8 November 2017. In particular, express recognition is given of the fact that “in response to established and/or subsequent payments of the concession fee by the Operator, it has to date paid up to the year 2012”.

At the hearing of 17 November 2017, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato5 and OTAA, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA5 — pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others — the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. At this hearing there was a postponement until 20 December 2019. The proceedings were first postponed to 17 March 2020, then automatically postponed to 11 September 2020 and then to 15 December 2020. The case was further postponed to 12 February 2021, then again to 26 March 2021. At the hearing on 27 April 2021, the Judge reserved judgement on the technical expert and, on 30 April 2021, set the date to appoint the expert for 11 May 2021 and, subsequently, the launch of the expert appraisals for 26 May 2021. The technical expert’s report was to be submitted by 10 November 2021 and the technical expert’s examination was set for the hearing on 30 November 2021. At the subsequent hearing of 15 December 2021, the Company formalised a settlement proposal, in order to settle the dispute amicably. This proposal will be evaluated by the Mayors’ Conference of OTAA5. The judge set the date of 12 April 2022 for the hearing of the final arguments and then adjourned the case to a later hearing on 31 May 2022. At that hearing, the court acknowledged the rejection by OTAA5 of the settlement proposed by the Company and set the parties a period of time by which to file their final arguments, adjourning the matter for a decision. We can note that negotiations are underway between the parties.

In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court. The Court, after hearing the respective positions of the parties, adjourned the case to 20 November 2020 for the oral discussion and the delivery of the judgement pursuant to art. 281 *sexies* of the code of civil procedure. The case was then further postponed after a request by the parties, to 6 July 2022.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 SpA to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.



The validity of the appeal and the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA5 Conference of Mayors, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the “savings on the concession fees to be paid to the Municipalities” (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to “unspecified savings on the concession fees to be paid to Municipalities” was not considered adequate and sufficient;
- considered that there are valid and grounded reasons to grant the Operator’s request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company’s financial statements.

### **Criminal proceeding no. 2031/2016**

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. The Preliminary Hearing Judge, having withdrawn the reservation, issued an order whereby, with the exception of the associations “Free Monte” and “Codici Onlus”, all the parties allegedly harmed by the facts of the crime against the defendants were admitted.

Finally, at the instigation of several civil parties, the citation of Acea Ato5 and Ato5 Lazio Meridionale Frosinone as civilly liable was authorised. Ordered to be postponed until 18 February 2022. During

the course of the hearing, Acea Ato5 was presented as the party liable under civil law, and the judge adjourned the hearing until 14 March 2022 to allow the Public Prosecutor and the civil parties to respond to the territorial jurisdiction issue put forward by the defendants’ defense.

At the hearing of 14 March 2022, the judge of the preliminary hearing rejected the question of territorial jurisdiction and adjourned the hearing to 28 March 2022 for the continuation.

Following the hearing held on 10 February 2023, the Judge for the Preliminary Hearing declared a lack of jurisdiction for the Court of Frosinone, in favour of the Court of Rome, to ascertain the following crimes:

1. Fraudulent financial statements;
2. Inhibiting the exercising of the functions of the public supervisory authority;
3. Tax crimes with reference to income taxes.

Following the Judge’s declaration of a lack of jurisdiction, with a term of 90 days to file the reasoning, the transfer of the documents to the public prosecutor’s office at the Court of Rome was ordered, so that they could proceed with the relevant determinations.

For all the other crimes, the Judge for the preliminary hearing issued a decision to not proceed, due to a lack of grounds.

### **Acea Ato5 - Lazio Regional Administrative Court appeal of contract termination**

With regard to the matter of the termination of the Management Agreement, we are awaiting rulings on the appeals filed by several Municipalities of the Ato5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court — detached section of Latina upheld the appeal filed by the Company against Resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.

It should be noted that the aforementioned appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. In any case, the Company filed the formal documents for both disputes, for which as of today there is no information regarding the scheduling of the hearing.

### **Acea Ato5 - Municipality of Atina - City Council Resolution no. 14 of 17 April 2019**

Following the transfer of the management of the IWS of the Municipality of Atina to Acea Ato5, on 19 April 2018, the Municipality decided to “establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2 bis of Italian Legislative Decree 152/2006, declaring the Integrated Water Service “local public service without economic importance” (Municipal Council resolution no. 14 of 17 April 2019).

OTAA5 appealed the above resolution before the Lazio Regional Administrative Court — Latina Section — also serving the Company and the Lazio Region.

As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Operator, the Company has deemed it appropriate to file suit and is waiting for

the hearing to be set.

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

### **Acea Ato5 - Municipality of Anagni - Appeal to the Lazio Regional Administrative Court - Latina Section - cancellation of order to demolish treatment plant, Municipality of Anagni, San Bartolomeo district**

On 4 November 2021, with Executive Order no. 236/2021 the Municipality of Anagni ordered the demolition and removal of the Treatment Plant located in the San Bartolomeo district (Anagni) and the consequent restoration of the original condition of the places as they were before the work began. The local Council alleges that the said infrastructure was created in breach of art. 10 of Italian Presidential Decree 380/2001, given that the work is said to have been done without planning permission, and in breach of art. 24 of Italian Presidential Decree 327/2021, given the non-definition of the expropriation order with the due notification procedures. In addition, according to the Council the plant occupies an area covered by the constraint for sites of national interest (Hydrographic basin of the River Sacco). Against this measure the Company presented an application for access to the records, which was rejected by the Municipality.

At the same time the Company lodged an appeal with the Lazio Regional Administrative Court (RAC) – detached section of Latina – in order to obtain, as a precautionary measure, the suspension of the effectiveness of the measure appealed against and, on the merits, the acceptance of the application for access to the records and the cancellation of the executive order. With an order of 14 January 2022 the Lazio RAC accepted the precautionary application and set the hearing of the merits for January 2023. At the hearing held on 11 January 2023, the Regional Administrative Court, based on a request by both parties, further postponed it to 10 May 2023.

### **Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)**

With Injunction No 1131/13, no. rg 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to Acea Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.

The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and

to order Acea Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.

The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone no. 4164/2013.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The Company has made the provision in the financial statements consistent with the settlement agreement reached on a prudent basis so as to ensure coverage of any costs arising from the agreement. The case was thus adjourned until 17 March 2023 in order to verify compliance with the obligations of the settlement agreement.

### **Class Actions pursuant to art. 140-bis of Italian Legislative Decree 206/2005**

On 17 May 2019 a summons was served initiating a class action under the terms of art. 140-bis of Italian Legislative Decree 206 of 2005 before the Court of Rome.

This is a case to which the Company is paying the maximum attention, taking into account the specific nature of the proceeding and the circumstance that, recently, two class actions brought by users against Acqualatina and Abbanoa were judged to be admissible.

The case RG. no. 33344/2019 – which originates substantially from the Cassino No Acea Committee – was launched against the company in the interest of 729 users, in order to:

- ascertain the non-existence/nullity of contracts in being between the users and the Operator;
- ascertain the illegitimate application of the *pro die* method;
- declare not payable the sums requested for previous items;
- have the Company ordered to return any sums received.

The case was initially adjourned to 19 March 2020 to discuss the admissibility of the action initiated by the plaintiff parties and subsequently adjourned *ex officio*, most recently to 1 March 2021.

At the hearing on 1 March 2021 – in which the admissibility of the action was discussed – the Court granted a deadline for briefs and on 5 November 2021 the Civil Court of Rome adopted a measure with which it declared inadmissible the class action brought by the No Acea Committee. The Committee subsequently filed an appeal with the Court of Appeal, with the

hearing set for 4 April 2022. On 17 February 2023 the Rome Court of Appeal published an ordinance which, revising the previous Court of Rome Ordinance, declared the eligibility of the class action filed by the No Acea di Cassino Committee and referred the case to the Court of Rome for the decision on the merits.

### Acea SpA - Milano '90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina No. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the said supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline.

Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.

Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed.

Milano '90 opposed the aforementioned injunction — also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages — obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

### Appeal Decision

On 26 April 2018, Milano '90 appealed, and with a decision issued 23 June 2022, the Court of Appeal of Rome fully confirmed the sentence of the first instance judge and sentenced the counterparty to pay the litigation costs.

With an appeal to the Court of Cassation notified on 21 September 2022, Milano '90 appealed the decision issued by the Rome Court of Appeal. Acea SpA filed a cross-appeal by the deadline and is waiting for the date of the hearing to be set.

### Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano '90 and the third parties attached. Following the decision with regards to the third party garnishee, on 25 March 2022 the sums assigned to Acea were paid.

### Acea SpA - Trifoglio Srl

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

**Case filed as a claimant:** this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.

In consideration of Trifoglio's breach, a notice was served aimed at

giving notice to sign a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file an appeal pursuant to art. 702-bis of the Code of Civil Procedure at the Court of Rome. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

**Cases as a defendant:** Trifoglio has notified Acea and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.

By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of Acea aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (€ 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of Acea with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017, Trifoglio appealed and in a decision issued 5 July 2022, the Court of Appeal of Rome confirmed the ineffectiveness of the sales contract stipulated between Acea SpA and Trifoglio Srl on 22 December 2010, and fully rejected the claim for compensation of Trifoglio Srl.

Specifically, the panel reformed the first instance sentence in the part in which it officially found the nullity of the sales contract, but in any case declared the ineffectiveness of the same, confirming Acea's obligation to repay the advance — price received (equal to € 4 million), a sum already paid in implementation of the first aid sentence. The proceeding has now been concluded.

### Acea SpA - Former COS rulings

The COS dispute concerns the ascertainment of the illegality of the contract between Almaviva Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (the assessment of the right to establish a relationship). These judgements were settled by dismissal orders — made on 2 and 10 July 2019 — of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.

The claimants — who have claimed the remuneration differences for lack of performance — have therefore started to work concretely starting from February 2020.

### Quantification judgements

Based on the above-mentioned judgements concerning the *an debeat*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting the company to pay the wages due as a result of the established relationship and regarding different periods of accrual of the receivables. Below, specifically.

**Salary differences in relation to the period 2008/2014.** In 2015, six separate quantification judgements were introduced by the aforementioned workers in relation to the wage differences matured between 2008 and 2014. The judge, having gathered the ap-

peals, rejected them with a sentence of 3 June 2015 against which an appeal was lodged by the counterparties.

In December 2020 conciliation of the dispute with one of the six workers was reached, while the appeal, continued for the other 5 applicants, ended with a partially unfavourable sentence handed down on 26 October 2022, as a result of which Acea paid, subject to repetition, the amounts due by way of wage and social security differences as well as interest and monetary revaluation.

Acea appealed to the Supreme Court against this ruling, currently awaiting a hearing.

**Salary differences in relation to the period 2014/2019.** In the years 2020 and 2022, four workers were notified as many monitoring judgements aimed at also obtaining the wages not received in relation to the 2014-2019 time segment.

With reference to the injunctions received in 2020, after the opposition to the same was rejected, the workers' requests were accepted. Therefore, in April 2022 Acea paid the salary differences and accessories recognised and also filed an appeal.

As regards to the appeals notified in 2022, both judgements are ritually opposed.

Finally, note the introduction in July 2022 of an appeal pursuant to art. 414 cpc by a fifth worker, whose requests were granted in a decision issued in December 2022.

## Acea SpA - Municipality of Botricello

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

## Acea SpA and areti SpA - MP 31 Srl (formerly Armosia MP Srl)

This is an opposition proceeding filed against the injunction issued by the Court of Rome against areti, in the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.

Acea filed an appeal, served on 2 January 2018.

The hearing to discuss the appeal judgement has been postponed several times and is currently set for 11 May 2023.

## Acea SpA and Acea Ato2 SpA - Co.La.Ri

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl — respectively the manager of the Malagrotta landfill (prov. Rome) and the executor — summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003-2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome.

The hearing for the clarification of the conclusions was set for 22 March 2021 and, on that occasion, the judge, taking into account the notes filed by the parties, granted further postponements for the same impending. At the hearing on 26 April 2022 an exception was also raised concerning the lack of active standing for Co.La.Ri. and E. Giovi due to the commissioning of the Malagrotta landfill (in relation to the reclamation and post-operational activities) ordered in the Prime Ministerial Decree of 18 February 2022. We are currently awaiting the dissolution of the reserve by the Judge on the requests of the parties.

## Acea Ato2 SpA and Acea Ato5 SpA - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, Acea Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL Resolution no. 56 of 6 February 2018, GRL Resolution no. 129 of 20 February 2018, GRL Resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With Resolution

no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued Resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 25 October 2023. A similar appeal was filed by Acea Ato5 and, in this case as well the hearing was most recently adjourned, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

## **Acea Ato2 SpA - Parco dell'Aniene Scarl**

### **Civil Judgement**

In June 2019 the company Parco dell'Aniene Scarl sued Acea Ato2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara - Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more than € 105 million. The designated Judge, who initially considered that the claim of a lack of jurisdiction proposed by Acea was sufficient to define the case, set the hearing for definition of the conclusions. At the same time, Parco dell'Aniene introduced an appeal for jurisdictional regulation before the United Sections of the Supreme Court of Cassation and with an order of 29 July 2021 declared the administrative court had jurisdiction.

Noting the provision of the Supreme Court, with a decisive ordinance of 15 November 2022, the Judge declared it was impossible to proceed with the civil proceeding.

### **Administrative Judgement**

With an appeal filed on 23 November 2021, Parco dell'Aniene Scarl resumed the case before the Regional Administrative Court of Lazio.

Acea Ato2 appeared as appropriate, requesting inclusion of the insurance companies already involved in the civil judgement case in the cross examination. At present we are awaiting the scheduling of the hearing.

## **Acea Ato2 SpA - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale**

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) — with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of

Frasso Sabino and Casaprota for the water supply of Roma Capitale — which involve Acea Ato2 and Roma Capitale as counter-parties.

## **Appeals brought by the Postribù Association and the Municipality of Casaprota**

With reference to both appeals — notified, respectively, on 16 and 19 September 2019 — with judgements of 13 March 2021, the High Court of Public Waters rejected completely the appeal lodged by the Municipality of Casaprota and declared inadmissible that of the Postribù Association, for lack of active legitimation. The cases have now been defined.

## **Appeal filed by the Municipality of Rieti**

The appeal, lodged on 16 September 2019 was completely rejected with a judgement of 11 August 2021.

The Municipality appealed this decision with the Court of Cassation, with a hearing on 22 November 2022. The decision is awaited. The Municipality also filed an Appeal for Rectification with the TSAP, with the hearing most recently postponed to 10 May 2023.

## **Acea Ato2 SpA - Enel Green Power Italia Srl**

With an appeal of 27 July 2020, Enel Green Power Italia Srl (EGP) summoned Acea Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement in effect between the parties as of 1985), for electricity which could not be produced with the Farfa 1° salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.

More specifically, the appellant states that between 2009 and 2019, Acea, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears.

Acea Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.

Based on the application of this calculation method, Acea Ato2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus legal interest, in that it was not due from Acea Ato2.

With a decision on 14 November 2022, the TRAP, granting the exception raised by Acea Ato2, declared its lack of jurisdiction in favour of the Civil Court of Rome, setting a deadline of 90 days for resumption. Enel Green Power was also ordered to pay Acea court expenses.

With a writ of summons of 25 January 2023, EGP resumed the case with the Court of Rome. The hearing indicated in the document is set for 30 May 2023.



## Acea Ato2 SpA and Acea Produzione SpA - Erg Hydro Srl

With separate appeals, notified on 10 March 2021, Erg Hydro Srl summoned Acea Ato2 and Acea Produzione before the Regional Court of Public Waters (RCPW) at the Rome Court of Civil Appeal to obtain ascertainment of its right to receive by way of indemnity for lower voltage - due to it on the basis of the agreements in effect between the parties as of 1985 - for electricity which could not be produced with its plants, given the diversion of the sources of the Pescara and affected by the regurgitation of Nera Montoro.

The application lodged regards the payment of default interest for delayed payment of past invoices, and the different amount of the adjustments calculated differently on the basis of the aforementioned agreement of 1985.

Specifically, the total request in relation to Acea Ato2 is approximately € 4,500,000.00, while in relation to Acea Produzione the application lodged is for approximately € 140,000.00.

The defendants joined the case arguing that the amounts requested had lapsed, and that the interpretation of the agreement on which the plaintiff based its request was groundless.

In November 2021, a court-appointed expert was assigned to quantify the indemnity due by Acea Ato2 for the lower voltage of Pescara.

The report issued in July 2022 confirmed the accuracy of the lower voltage calculations prepared by Acea Ato2 and the hearing to examine the expert's report was most recently postponed to 21 March 2023.

## areti SpA - GALA SpA

In November 2015, areti signed a transport contract for the electricity distribution and metering service with Gala SpA, a company that sells electricity to end users.

Starting in March 2017, Gala SpA fully cased paying the fees invoiced and due to areti. Protecting its rights as a creditor, on 7 April 2017 areti began enforcement of the guarantees issued by Gala SpA and later, the non-fulfilment of the obligations deriving from the contract being disputed by both Gala SpA and the guarantors, the termination clauses found therein were utilised.

The main pending disputes generated by the complex matter are summarised below.

### Judgement filed by the guarantor Euroins Insurance plc

In July 2017, Euroins Insurance plc, a guarantor of GALA, independently introduced an assessment proceeding to declare the non-existence of its own guarantee obligation.

The case was taken before Section XVII of the Court of Rome and with a judgement of 10 May 2021 the action for ascertainment of invalidity of the policy was rejected, with an order to Euroins to pay areti the sum of € 5.00 million plus legal interest from the application to payment of the balance and legal expenses.

The judgement also ordered GALA to ensure the release of the guarantor, directly paying areti the sum of € 5.0 million plus legal interest.

On 8 June 2021, GALA made spontaneously the payment of what was provided for in the judgement, paying areti the total amount of

€ 5,058,986.30, including plus legal interest (for € 58,986.30), with reservation of encumbrance and recovery of undue payments, also in relation to the demands that are the subject of the parallel civil dispute between the said GALA and areti.

GALA's summons on appeal was served on 10 December 2021 and the hearing has been postponed to 22 June 2026 for the oral discussion.

### GALA's summons to areti, Acea Energia and Acea

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200,000,000.00.

GALA also requested that the behaviour of areti and the other defendant companies, Acea and Acea Energia, be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the Acea group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The case is currently pending before the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs. Oral arguments were heard in April 2022 and the final decision is awaited.

## areti SpA - Metanewpower (MNP)

In November 2015, in its capacity as operator of the electricity distribution network, areti entered into a transport contract with Metanewpower, which operates in the sale of electricity to end users, a contract the seller repeatedly breached.

### Judgement on guarantees

With summons served on 7 September 2018, MNP challenged the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the system charges regardless of the actual collection from the final customer, claiming compensation for damages due to providing the guarantees for approximately € 2.0 million, alleging also abuse of a dominant position by the distributor areti.

In the meantime, due to the serious breach of contractual obligations, on 8 October 2018 areti notified MNP of the termination of the transport contract.

During the court case, in December 2019, the counterparty amended its claim for damages, quantifying them at over € 34.0 million including however in the demand the amount of approximately € 11.0 million for damages from termination, requested also in an additional compensation judgement.

With a decision of 27 July 2022, all the requests made of areti were rejected, with the counterparty ordered to pay court expenses. The terms for appeal are pending.

### Compensation judgement

Following an initial precautionary phase in favour of the seller, in the context of which the judge determined a marginal violation of the distributor's requirement to collaborate, even in the case of seller breach, in a writ of summons served on 5 December 2018, MNP filed an ordinary case, disputing the validity of the contractual clauses and requesting compensation for damages due to termination of the contract, following the Court ordinance as cited. The request, as most recently specified on the occasion of the preliminary pleadings, amounts to at least € 14.0 million. At the hearing for specification of the conclusions on 7 December 2022 the decision was withheld, with terms granted for the closing briefs.

### Recovery of areti's receivable from Metanewpower

On 30 May 2019, following MNP's continuing breach, areti ordered a new contractual termination and initiated the recovery of its receivable, obtaining the issue of an injunction for the amount of approximately € 3.85 million by way of default. MNP – for the same reasons already stated – lodged an objection to the injunction. With a measure of 15 November 2021, lifting the reservation adopted on the occasion of the hearing on 3 December 2020, the judge rejected the application for concession of provisional enforcement of the decree, granting the terms for the pleadings pursuant to art. 183 of the Code of Civil Procedure and adjourning the case for the continuation to the hearing on 10 March 2022. On that occasion, the judge, considering the preliminary requests irrelevant, postponed for conclusions to March 20, 2024.

### areti SpA - Metaenergia SpA

In October 2018, the company Metaenergia SpA, which operates in the market of electricity sales to final customers, sued the distributor areti, contesting the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the general system charges regardless of the actual collection from the final customer. The plaintiff company therefore demanded the return of the amounts paid as guarantee deposits and compensation for damages due to providing the guarantees for approximately € 320 thousand, alleging also abuse of a dominant position by the distributor areti. With a sentence of 22 June 2022, the Judge completely rejected the requests proposed by the trader Metaenergia, also condemning it to pay the costs of the litigation. The proceeding has now been concluded.

### GORI SpA - Consorzio di Bonifica Integrale del Comprensorio Sarno

With decision 7271/2021 of 7 September 2021, the Court of Naples, XII Civil Section, rejected the request made by Consorzio di Bonifica Sarno to condemn GORI SpA to payment of around € 21 million as consortia expenses relative to the period from 2008 to 2016, based on the fact, briefly, that the Consortia did not provide evidence (above all due to the uncertainty of the data and the lack of documentation produced) of the direct benefits, there-

by economically calculable, received by GORI for the use of the consortia channels, with the effect of "impossibility to identify certain data and quantify precisely and without doubt the contribution due by the Company". The Consorzio di Bonifica del Comprensorio Sarno appealed the decision and the Court of Appeals of Naples referred the case for the specification of conclusions to the hearing on 17 September 2024.

### GORI SpA Update of the 2016-2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

The Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA) appealed before the Campania RAC, Naples office, the resolution of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19/2016 of 8 August 2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17 July 2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution No. 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, No 1619 of 29 June 2018 which confirmed the legitimacy of ARERA Resolution 104/2016/R/ldr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District area. To that end the Campania Regional Administrative Court, Naples office, in a closed session on 12 October 2022, initially declared the appeals could not move forward, as the determinations in question had been absorbed and superseded by the new provisions illustrated above, issued on tariff regulation by the CWA and ARERA and due to the consequential need to revalue the tariffs relative to the period being examined (2016-2019).

### AGCM Proceeding A/513 - Acea SpA, Acea Energia SpA and areti SpA

On 8 January 2019, the Antitrust Authority notified Acea, Acea Energia and areti of the final order for Proceeding A/513. With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions. In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09. Fully convinced of the illegitimacy of this measure, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. With separate judgements on 17 October 2019 the appeals were

accepted and, as a result, the sanction was cancelled.

With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

## AGCM Proceeding PS12458 - Acea Energia SpA

On 18 October 2022, the Company received a communication in which AGCM requested information about so-called “*unilateral contract amendments*”. On 4 November 2022, the Company provided a response to AGCM relative to the requested information and, on 12 December 2022, held it expedient to send a second communication with further details to demonstrate the compliance of its actions with that established in article 3 of the *Aid-bis* Decree Law.

That being established, on 13 December 2022, AGCM informed Acea Energia of the start of a proceeding, giving the Company 20 days to file written memos and documents (a deadline reduced to 7 days with reference to memos and documents relative to the adoption of provisional suspension measures for the commercial practices, pursuant to article 8, paragraph 3 of the Regulation).

Additionally, to acquire further information useful for assessing the stated commercial practice, AGCM asked Acea Energia to provide, within 20 days of the receipt of the cited communication, additional information regarding communications of unilateral changes/renewals carried out by the Company.

On the same date, the Authority also informed the Company of a precautionary provision, with which it ordered that:

- Acea Energia provisionally suspend application of the new economic conditions indicated in its communications of a proposed unilateral change to the contract sent prior to 10 August 2022 or in communications proposing renewal of economic conditions sent after 10 August 2022, confirming through 30 April 2023 the supply conditions previously applied, and individually informing the consumers interested in the previous communications, and in the same form, application of the previous supply conditions or, in the case in which the deadline for completion of the new communications had not yet expired, the inefficacy of the proposed changes;
- Acea Energia communicated individually and with the same form, to consumers who had exercised the right of withdrawal following the communication of the proposed unilateral change sent prior to 10 August 2022 or of renewal of economic conditions sent after the same date, the possibility of returning to receive supplies under the previous economic conditions;
- Acea Energia informed the Authority that it had carried out the suspension provision and the relative methods within 5 days of receiving the communication on 13 December 2022, sending a detailed report illustrating the initiatives taken in compliance with that ordered under a) and b);
- that the interested party could, within 7 days of notification of the provision of 13 December 2022, present written memos and documents, to confirm the aforementioned measures.

Acea Energia, given the serious and irreparable harm deriving from implementation of the aforementioned provision, promptly ap-

pealed the same with the Lazio Regional Administrative Court, filing an appeal on 15 December 2022 to request annulment through precautionary suspension of the efficacy.

In any case, on 19 December 2022 Acea Energia sent AGCM the report on compliance with the measures ordered by the Authority and, on 20 December 2022, filed a written memo, to provide further clarifications on the lack of any illegal action and reserving the right to formulate further defensive arguments during the course of the proceeding.

Subsequently, two significant changes occurred in the jurisprudential and legislative situation:

- on 22 December 2022, the Council of State issued an ordinance, in relation to another market operator which, similar to Acea Energia, had been affected by a precautionary provision involving a possible violation of article 3 of the *Aid-bis* Decree Law, subsequently appealed, accepting the precautionary request put forward by the same and partially suspending the provision in question. In truth, this latter, in the Judge’s opinion, contains a generalised order to suspend any change in supply contracts, also affecting contractual renewals predetermined in the exercising of negotiating freedom, based on an “inadmissible expansive interpretation of national provisions limiting market freedom to situations not expressly envisaged (extending the fines to actions not envisaged in the provision)”. Further, the Council of State suspended the provision appealed by the operator in the portion in which it affects temporary contracts or contracts with expiration dates predetermined by economic conditions of dates prior to 30 April 2023, as in this case the question is not the exercising of *ius variandi* but a contractual renewal freely agreed upon by the parties;
- on 29 December 2022 Decree Law 198/2022 (“Thousand Extensions Decree”) was published in the Official Journal, which amended article 3 of the *Aid-bis* Decree Law, extending the suspension deadline for efficacy of unilateral changes to 30 June 2023 and expressly excluding from the scope of applicability “contractual clauses that allow electricity and natural gas suppliers to update the economic contractual conditions upon expiration of the same, in compliance with the terms of prior notification contractually established and without prejudice to the counterparty’s right of withdrawal”.

As a consequence of the cited jurisprudential and legislative changes, on 30 December 2022 AGCM adopted a second precautionary proceeding relative to Acea Energia with which, partially revoking the provision adopted on 12 December 2022, it confirmed solely the portion of the same which ordered that the Company:

- provisionally suspend application of the new economic conditions indicated in its communications of a proposed unilateral change to the contract sent prior to 10 August or in communications proposing renewal of economic conditions sent after 10 August, for those regarding permanent contracts in which the expiration of the same was not specifically identified or in any case able to be predetermined, confirming through 30 April 2023 the supply conditions currently applied, and individually informing the consumers interested in the previous communications, and in the same form, application of the previous supply



conditions or, in the case in which the deadline for completion of the new communications had not yet expired, the inefficacy of the proposed changes;

- individually communicate with the same form to consumers who had exercised the right to withdrawal following the communication of a proposed unilateral change sent prior to 10 August or the renewal of economic conditions sent after the same date, regarding permanent contracts for which the expiration of economic supply conditions was not specifically identified or in any case able to be predetermined the possibility of returning to the supply under the previous economic conditions until the effective expiry or until 30 April 2023.

In consideration of the stated AGCM provision, Acea Energia introduced additional justifications for the appeal as part of the case already pending with the Lazio Regional Administrative Court, with the aim of requesting annulment. Finally, note that while the case is pending with the Lazio Regional Administrative Court, Acea Energia sent AGCM, on 16 January 2023, a response to the request for information contained in the provision of 12 December 2022, as well as a new report on compliance with the measures requested by the Authority with the provision of 29 December 2022, restating the full compliance of its actions with respect to that contained in article 3 of the Aid-bis Decree Law, as also confirmed by the clarification made by the legislators through article 11, paragraph 8 of Decree Law 198 of 2022 (Thousand Extensions).

On 6 February 2023, AGCM filed a memo with the court, to which Acea Energia responded with another memo filed on 11 February 2022. In consideration of the proposed additional arguments, the public hearing for discussion of the appeal was held on 22 February 2023 and the results are awaited.

### **Appeals relative to “Excess Profits” (Solidarity contribution pursuant to article 37 of Decree Law 21/2022) - Acea Ambiente Srl, Acea Produzione SpA, Acea Energia SpA and Acea Solar Srl**

With reference to the contribution in question, based on the assumption that a significant part of the taxable base identified for the companies of the Acea Group cannot be seen as excess profits intended to be taxed by lawmakers, but rather to extraordinary operations, Acea Ambiente Srl, Acea Produzione SpA and Acea Energia SpA filed three distinct appeals with the Regional Administrative Court of Lazio, in all cases also seeing to payment of the respective advances, to cancel the implementation provision with which the Revenue Agency determined the amounts, also declarative, and the methods for paying the contribution (Director of the Revenue Agency Provision 221978/2022 of 17 June 2022).

The request made is intended to cancel the appealed provision, by returning the question of legitimacy to the Constitutional Court relative to article 37 of Decree Law 21/2022.

While awaiting the results, it was also found that Acea Solar Srl, due to an extraordinary operation, was required to pay the solidarity contribution. Hence, on 31 August 2022 the Company paid the advance on this contribution and also filed an appeal.

With decisions published on 16 and 17 November 2022, the four appeals filed by the companies of the Group, together with appeals

presented by other operators outside of the Group, were declared inadmissible due to an absolute lack of jurisdiction over the appealed provision. Separate appeals were filed with the Council of State, with a hearing in a closed session set for 14 March 2023.

With reference to Acea Ambiente and Acea Solar, due to the changes made by the 2023 Stability Law to article 37 of Decree Law 21/ 2022, which circumscribed the requirement to pay the extraordinary contribution solely to cases in which at least 75% of business volume in 2021 derived from business in the energy sector, declarations will be filed indicating the new-found lack of interest in the decision for the appeals filed.

### **Disputes relative to the procedure to develop the San Vittore “fourth line” - Acea Ambiente Srl**

Against Lazio Region Determination G09041 of 12 July 2022, regarding the “Environmental Impact Valuation Proceeding pursuant to article 27-bis of Italian Legislative Decree 152/2006, as amended, for the “Systems and environmental adaptation for the San Vittore del Lazio waste to energy plant with creation of a fourth line”, in the Municipality of San Vittore del Lazio (prov. Frosinone), localities Valle Porchio, Proposing Entity Acea Ambiente Srl, 5 administrative appeals have been filed, with Acea Ambiente as a counterparty.

The subsequent administrative provisions issued by the Region are the Integrated Environmental Authorisation (AIA) of 26 October 2022 and the Single Regional Authorisation Provision (PAUR) of 28 October 2022.

- I. Lamberet SpA — Appeal to the Regional Administrative Court of Lazio, Rome, served on 10 October 2022. No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR).
- II. Municipalities of Rocca di Evandro, Mignano Monte Lungo, San Pietro Infine and Associazione Ambientalista Fare Verde Onlus — Appeal to the Regional Administrative Court of Lazio, Latina, served on 10 October 2022. On 27 December 2022, an appeal for additional reasons was filed, with reference to the AIA and PAUR. The appeal includes a precautionary request and the hearing for discussion of suspension was held on 22 February 2023. The precautionary request was rejected. Subsequently, the Regional Administrative Court of Latina set the hearing to discuss the request for a court-appointed expert filed by the appellants for 10 May 2023.
- III. Municipality of Cassino — Appeal to the Regional Administrative Court of Lazio, Latina, served on 11 October 2022. No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR).
- IV. Siefic Calcestruzzi Srl and Siefic SpA - Appeal to the Regional Administrative Court of Lazio, Rome, served on 13 October 2022. On 13 January 2023, an appeal with additional reasons was served, against the AIA and the PAUR, accompanied by a precautionary request. A closed session was held on 8 February 2023. Following this, the Regional Administrative Court of Lazio, Rome, ordered transfer of the files to the Court of the Regional Administrative Court of Lazio to make the decision on the exception for lack of jurisdiction raised by Acea.
- V. Municipality of San Vittore del Lazio — Appeal to the Region-

al Administrative Court of Lazio, Latina, served on 16 October 2022. Appeals for additional reasons against the PAUR and AIA were served on 23 December 2022. The appeal is not accompanied by a precautionary request.

The Directors consider that the settlement of the ongoing dispute

and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 34 a on the Provision for risks and charges).

These allocations represent the best estimate possible based on the elements available today.

## ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

### CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS7 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
<b>Non-current assets</b>	<b>19,852</b>	<b>13,686</b>	<b>0</b>	<b>33,537</b>	
Other equity investments	3,007	0	0	3,007	21
Total financial assets	16,845	13,686	0	30,531	23
<b>Current assets</b>	<b>0</b>	<b>81,298</b>	<b>1,952,648</b>	<b>2,033,946</b>	
Total trade receivables	0	0	1,267,445	1,267,445	26
Payables arising from commodity derivatives	0	81,298	0	81,298	27
Total current financial assets	0	0	342,085	342,085	29
Other current assets	0	0	343,117	343,117	27
<b>Non-current liabilities</b>	<b>0</b>	<b>346,108</b>	<b>4,302,767</b>	<b>4,648,875</b>	
Bonds	0	160,430	3,674,022	3,834,453	35
Payables to banks	0	185,678	628,744	814,422	35
<b>Current liabilities</b>	<b>0</b>	<b>1,572</b>	<b>2,999,732</b>	<b>3,001,304</b>	
Short-term bonds	0	0	316,965	316,965	37
Payables to banks	0	0	145,054	145,054	37
Other financial payables	0	0	140,892	140,892	37
Payables from commodity derivatives	0	1,572	0	1,572	36
Total trade payables	0	0	1,849,980	1,849,980	38
Other liabilities	0	0	546,841	546,841	40

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk less and the risk less adjusted interest rate curves.

It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

### TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

#### Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries. As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

#### Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;

- **Volume risk:** the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea SpA “Guidelines for the Internal Control and Risk Management System” and Acea SpA “Guidelines for Risk Management For Commodity Trading in Futures Markets”, approved by the Board of Directors on 14 March 2022, as well as the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea SpA's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges;

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavour-

able short-term shocks in the energy market which affect revenues or costs;

- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Commodity trading on futures markets is intended to satisfy expected needs deriving from electricity and gas sales contracts relative to end customers.

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

The objectives and policies for market risk, counterparty credit risk and regulatory risk management are detailed in the relevant section of the Report on Operations, to which reference is made.

It should be noted that the hedges effected on the purchases and sales portfolio were conducted with leading operators in the electricity market and the financial sector. Below, in accordance with former article 2427-bis of the Italian Civil Code, is the information necessary for the description of transactions carried out, aggregated by hedged index, effective as of 1 January 2022.

Instrument	Index	Purposes	Purchases/Sales	Fair value in € thousand	Portion recognised to shareholders' equity	Portion recognised in the income statement
Swap, CFD	Energy_IT	Hedging Energy portfolio	Electricity sales	80,239	80,239	0
Swap, CFD	Gas_IT	Hedging Gas portfolio	Purchase of natural gas	(763)	(763)	0

The Group determines the classification of financial instruments at fair value, in accordance with the provisions of IFRS13. The fair value of the assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, according to the inputs and valuation techniques used to measure fair value:

- level 1: prices listed (not adjusted) on a market for identical assets and liabilities;
- level 2: inputs other than listed prices pursuant to level 1, which can be observed for the asset or liability, both directly and indirectly;
- level 3: inputs not based on observable market data. This note provides some detailed information on the valuation techniques and inputs used to prepare these valuations.

With regards to the type of derivatives for commodities for which fair value is determined, note that this is fair value level 1 as they are listed on active markets;

Finally, it should be noted that, as of 2014, the Group has applied the rules laid down in EC regulations 148 and 149/2013 (jointly and together with Regulation 648/2012, EMIR) and is currently defined as NFC (Non-Financial Counterparty).

## Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In

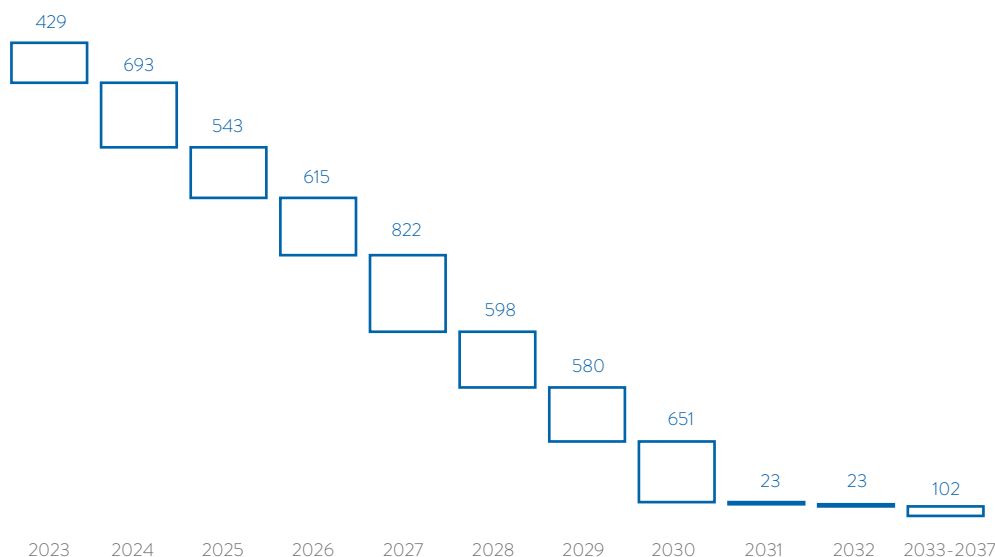
order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

At 31 December 2022 the Parent Company has uncommitted credit lines of € 425 million, of which € 21 million utilised. No guarantees were granted in obtaining these lines. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company.

Acea also has committed revolving lines for € 700 million, with an average maturity of around 3.9 years. Additionally, on 30 July 2020 Acea signed a new direct unsecured loan contract with the European Investment Bank for a total up to € 250 million, entirely utilised as at 31 December 2022. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 190 million.

Please note that the EMTN Programme approved and established in 2014 for an initial amount of € 1.5 billion, adjusted upwards for a total of € 5 billion in 2021, was available in a residual amount of € 1 billion at 31 December 2022. Note that in the first two months of 2023, Acea placed bonds totalling € 700 million.

The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.



Regarding the trade payables (€ 1,861.7 million) it should be noted that the portion which is due to expire in the next twelve months amounted to € 1,677.6 million. The amount already expired of € 184.1 million will be paid by the first quarter of 2023.

## Interest rate risk

The Acea Group's approach to managing interest rate risk, which

takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the medium/long-term consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (84%) as at 31 December 2022, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

A cross currency plain vanilla swap operation is in being as of 31 December 2022 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.

The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 18.0 million (a negative € 21.8 million at 31 December 2021).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A – B)	Risk adjusted FV (C)	Delta (A – C)
Bonds	4,151,418	3,829,231	322,187	3,729,684	421,735
- fixed rate	292,609	289,315	3,295	278,563	14,046
- floating rate	460,956	456,889	4,068	441,686	19,270
- floating rate cash flow hedge	197,903	203,445	(5,542)	198,444	(542)
<b>Total</b>	<b>5,102,886</b>	<b>4,778,879</b>	<b>324,007</b>	<b>4,648,377</b>	<b>454,510</b>

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.

A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant

spread over the term structure of the risk-free interest rate curve. This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	Changes in present value € million
-1.50%	-419.2
-1.00%	-316.4
-0.50%	-216.9
-0.30%	-168.4
n.s.	0
0.25%	-73.7
0.50%	-27.5
1.00%	62.7
1.50%	150.1

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS13.

## Credit risks

As already indicated in the general part of the Report on Operations to which you are referred, Acea issued in July 2019 the new guidelines of the Group Credit Policy and the “Scoring and customer credit limit” procedure, which defines the methods for preventing credit risk (hereinafter “Credit Check”) on non-regulated markets.

The guidelines of the Credit Policy, of a general nature, based on the principle of decentralising the credit activities within the companies, identify, on the basis of a Governance matrix, the responsibilities of the Parent Company and those of the operating companies.

Based on the above guidelines, the companies are responsible for the operational management of active and discontinued loans of the entire receivable portfolio, with the exception of customers of a significant amount managed by Corporate Credit through law firms identified together with the Legal Affairs Department. For the authorised companies, the Collection Unit of Administration, Finance and Control proceeds, on appointment of the same, to recovery through tax injunctions.

The Corporate Credit Unit monitors the performance of receivables on an ongoing basis and provides periodic management reports (monthly) by segment and by company.

The following table shows the credit risk management of the main business areas of the group by number of customers/turnover.

Relative to the **areti**, the credit component managed by the Company that indicates a possible risk factor is that invoiced to operators for sales activities relative to transportation of energy on the distribution network, for performances carried out for end customers and general system charges (these latter in turn paid to CSEA or the GSE). This risk was mitigated by regulatory changes implemented by ARERA, which introduced mechanisms for recognising amounts not collected.

Relative to the **companies in the Commercial and Trading Segment**, for supplies of electricity and gas on the free market, preventive credit risk identification is done through a credit scoring system, integrated into the user management system, allowing for real time assessment of the creditworthiness of potential clients when they are acquired:

- With regard to Mass Market and Small Business customers, the Credit Check system integrated in the CRM is directly usable by Acea Energia and the commercial agencies appointed thereby. Specific scorecards have been defined to identify customers that are potentially unsuitable for the supply of electricity or gas, as they have a risk profile that is not in line with company standards;
- with reference to Large and Top customers, the investigation is performed in Acea SpA using a dedicated platform with specific workflows that support the timely analysis of prospective customers, thanks also to the availability of updated accounting and commercial information.

We can note also that in order to anticipate potential deteriorations in the performance of collection deriving from the current energy scenario the rates related to the loss rate of invoices to be issued were reviewed on the basis of the latest records of unpaid amounts at 24 months, interpolating, for the most recent generations of turnover, the short-term unpaid rates (3M-6M-9M-12M-24M) on the basis of the historical correlations and the related volatility.

Also note that Acea Energia uses the invoicing system both to manage credit relative to active users on the protected market and to manage credit for customers active on the free market, while receivables due from ceased customers are managed with dedicated software.

In the past two years in and out of court collection has been strengthened, improving performance and quality for “small-ticket” receivables through master legal and collection agencies managed by Acea Energia, thereby utilising services offered by market operators for large-scale credit collection.

On the management side, activities successfully continued for the collection matching process, acting both on the collection channels and the application systems, and with regard to the number of dedicated employees.

The “large-ticket” customers that have ceased to be “large-ticket” customers following an internal collection process set up by Acea Energia are transferred to the Acea Corporate Credit Unit in the event of an unsuccessful outcome of the recovery, which then entrusts them in packages with uniform characteristics to law firms contracted by the Legal and Corporate Affairs Department.

Law firms are assessed on the basis of their recovery performance and are engaged in proportion to the results achieved.

With regards to **companies in the Water Segment**, it should be remembered that the Galli Law, which grants a single operator a thirty-year concession for the integrated water service in the Optimal Territorial Area, created a local monopoly in the management of this service.

These features of the water market are reflected when measuring credit risk which mainly applies to certain types of insolvency, in particular:

- receivables subject to tender procedures;
- receivables linked to termination of accounts without the creation of a new contractual relationship;
- receivables linked to special social situation, in which the operator due to reasons of public order and/or regional issues is not able to apply the typical risk protection instruments.

Essentially, users, also in typical cases when liquidity is lacking, tend to comply with their commitments relative to a primary service such as water, meaning the operator has risk of a mainly “financial” nature, that is associated with payment trends that tend to be slower on average with respect to trade receivables.

Legislators have taken action multiple time to adopt measures intended to limit late payments, in particular the recent resolution ARERA 311/2019/R/idr which published the REMSI provision, which contains the provisions for regulating late payments for the integrated water services (REMSI), as of 1 January 2020. This provision was subsequently amended with the resolution of 17 December 2019, 547/2019/R/idr, with resolution 26 May 2020, 186/2020/R/idr and resolution 16 June 2020, 221/2020/R/idr.



In this context, the Companies, consistent with the guidelines of the Acea Group's credit policy, have identified different strategies that follow the Customer Care philosophy, based on the fundamental presupposition of a direct relationship with users, as a distinctive element in creating an efficient process to constantly improve the net financial position.

Implementation of credit risk management strategies starts with a macro-distinction between public sector end users (Municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users;
- variable risk of insolvency and late payment risk for private sector end users.

With reference to amounts due from "public" users, these are managed through specific phone collection actions, with a residual portion converted to cash through without recourse factoring with financial partners and/or the offsetting of receivables and payables and settlement agreements.

Management of credit relative to "private" users involves a series of targeted action which range from amicable payment reminders, specific notices for condominium customers, formal notice of ar-

rears, assignment to specialised or internal collection services via telephone, through to disconnection of defaulting end users, factoring and assignment to legal studies for collection of credit via the courts.

These actions are carried out with methods and schedules governed by the REMSI provision.

Note that Ministry of Economy and Finance Decrees authorise Acea Ato2, Acea Ato5 and GORI are authorised to make use of forced collection and hence can directly issue tax injunctions and, in the case of persistent default, can register the receivables with injunctions.

For the above companies, tax injunctions represent the main judicial collection tool relative to ceased receivables.

Relative to **other Group Segments**, (Environment, Engineering and Services and Generation), credit exposure is generally limited and concentrated with a few debtors, carefully managed by the operating companies with support, if necessary, from the Corporate Credit Unit.

The ageing of the Trade Receivables is as follows, gross of the allowance for doubtful accounts, detailed in Note 26.

- Total trade receivables, gross of Provision for Impairment of Receivables: € 1,849 million;
- Trade receivables due to expire: € 800 million;
- Past due trade receivables: € 1,049 million.

## ANNEXES



- A. LIST OF CONSOLIDATED COMPANIES
- B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT - CONSOLIDATED
- C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS
- D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017
- E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

## A. LIST OF CONSOLIDATED COMPANIES

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
<b>Environment Segment</b>					
Acque Industriali Srl	Via Bellatalla, 1 - Ospedaletto (PI)	100,000	73.1%	100.0%	Full
Aquaser Srl	Piazzale Ostiense, 2 - Rome	3,900,000	97.9%	100.0%	Full
Acea Ambiente Srl	Piazzale Ostiense, 2 - Rome	2,224,992	100.0%	100.0%	Full
A.S. Recycling Srl	Piazzale Ostiense, 2 - Rome	1,000,000	90.0%	100.0%	Full
Berg SpA	Via delle Industrie, 38 - Frosinone	844,000	60.0%	100.0%	Full
Cavallari Srl	Via dell'Industria, 6 - Ostra (AN)	100,000	80.0%	100.0%	Full
Deco SpA	Via Vomano, 14 - Spoltore (PE)	1,404,000	100.0%	100.0%	Full
Demap Srl	Via Giotto, 13 - Beinasco (TO)	119,015	100.0%	100.0%	Full
Consorzio Servizi Ecologici del Frentano "Ecofrentano"	Strada Provinciale Pedemontana km 10, Frazione Cerratina - Lanciano (CH)	10,329	75.0%	100.0%	Full
Ecologica Sangro SpA	Strada Provinciale Pedemontana km 10, Frazione Contrada - Cerratina Lanciano (CH)	100,000	100.0%	100.0%	Full
Ferrocarril Srl	Via Vanzetti, 34 - Terni	80,000	60.0%	100.0%	Full
Iseco SpA	Loc. Surpian n. 10 - Saint-Marcel (AO)	110,000	80.0%	100.0%	Full
Italmacero Srl	Viadell'Artigianato, 3 - Falconara Marittima (AN)	26,000	100.0%	100.0%	Full
MEG Srl	Via 11 Settembre, 8 - San Giovanni Ilarione (VR)	10,000	60.0%	100.0%	Full
S.E.R. Plast Srl	Contrada Stampalone, Cellino Attanasio (TE)	70,000	70.0%	100.0%	Full
Tecnoservizi Srl	Via Bruno Pontecorvo, 1/B - Rome	1,000,000	70.0%	100.0%	Full
<b>Commercial and Trading Segment</b>					
Acea Energia SpA	Piazzale Ostiense, 2 - Rome	10,000,000	100.0%	100.0%	Full
Acea Energy Management Srl	Piazzale Ostiense, 2 - Rome	50,000	100.0%	100.0%	Full
Cesap Vendita Gas Srl	Via del Teatro, 9 - Bastia Umbra (PG)	10,000	100.0%	100.0%	Full
Acea Innovation Srl	Piazzale Ostiense 2 - Rome	2,000,000	100.0%	100.0%	Full
Umbria Energy SpA	Via Bruno Capponi, 100 - Terni	1,000,000	100.0%	100.0%	Full
<b>Overseas Segment</b>					
Acea International SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama	9,089,661	100.0%	100.0%	Full
Consorzio Agua Azul SA	Calle Amador Merino Reina 307 - Of. 803 Lima 27 - Perú	16,000,912	44.0%	100.0%	Full
Consorzio Acea	Calle Amador Merino Reina 307 - Lima - Perú	225,093	n.s.	100.0%	Full
Consorzio Servicio Sur	Calle Amador Merino Reyna, San Isidro	33,834	51.0%	100.0%	Full
Acea Dominicana SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama	644,937	100.0%	100.0%	Full
Consorzio Acea Lima Norte	Calle Amador Merino Reina 307 - Lima - Perú	221,273	100.0%	100.0%	Full
Consorzio Acea Lima Sur	Calle Amador Merino Reyna 307 - Lima - Perú	75,068	100.0%	100.0%	Full
Aguasde San Pedro SA	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6,457,345	60.7%	100.0%	Full
Acea Perú SAC	Cal, Amador Merino Reyna, 307 Miraflores - Lima	177,582	100.0%	100.0%	Full
Consorzio Acea - Acea Dominicana	Av, Las Americas - Esq. Mazoneria - Ens, Ozama	67,253	100.0%	100.0%	Full

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
<b>Water Segment</b>					
Adistribuzione Gas Srl	Via L. Galvani, 17/A - Forlì	5,953,644	51.0%	100.0%	Full
Notaresco Gas Srl	Via Padre Frasca - Frazione Chieti Scalo Centro Dama (CH)	100,000	55.0%	100.0%	Full
Acea Ato2 SpA	Piazzale Ostiense, 2 - Rome	362,834,320	96.5%	100.0%	Full
Acea Ato5 SpA	Viale Roma - Frosinone	10,330,000	98.5%	100.0%	Full
Acque Blu Arno Basso SpA	Piazzale Ostiense, 2 - Rome	8,000,000	76.7%	100.0%	Full
Acea Molise Srl	Piazzale Ostiense, 2 - Rome	100,000	100.0%	100.0%	Full
Gesesa SpA	Corso Garibaldi, 8 - Benevento	534,991	57.9%	100.0%	Full
GORI SpA	Via Trentola, 211 - Ercolano (NA)	44,999,971	37.1%	100.0%	Full
Sarnese Vesuviano Srl	Piazzale Ostiense, 2 - Rome	100,000	99.2%	100.0%	Full
Acque Blu Fiorentine SpA	Piazzale Ostiense, 2 - Rome	15,153,400	75.0%	100.0%	Full
ASM Terni	Via Bruno Capponi, 100 - Terni	72,858,295	38.0%	100.0%	Full
Acquedotto del Fiora SpA	Via G. Mameli, 10 - Grosseto	1,730,520	40.0%	100.0%	Full
Agile Academy Srl	Via Mameli, 10 - Grosseto	10,000	100.0%	100.0%	Full
Ombrone SpA	Piazzale Ostiense, 2 - Rome	6,500,000	99.5%	100.0%	Full
Servizi Idrici Integrati	Via 1° Maggio, 65 - Terni	19,536,000	43.0%	100.0%	Full
Umbriadue Servizi Idrici Scarl	Via Aldo Bartocci n, 29 - Terni	100,000	99.4%	100.0%	Full
<b>Energy Infrastructure Segment</b>					
areti SpA	Piazzale Ostiense, 2 - Rome	345,000,000	100.0%	100.0%	Full
<b>Generation Segment</b>					
Ecogena Srl	Piazzale Ostiense, 2 - Rome	1,669,457	100.0%	100.0%	Full
Acea Renewable Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
Acea Liquidation and Litigation Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
Fergasolar 2 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
Acea Renewable 2 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
SF Island Srl	Via Cantorvivo, 44/C - Acquapendente (VT)	10,000	100.0%	100.0%	Full
Acea Solar Srl	Piazzale Ostiense, 2 - Rome	1,000,000	100.0%	100.0%	Full
Acea Produzione SpA	Piazzale Ostiense, 2 - Rome	5,000,000	100.0%	100.0%	Full
<b>Engineering and Services Segment</b>					
Acea Elabori SpA	Via Vitorchiano, 165 - Rome	2,444,000	100.0%	100.0%	Full
SIMAM SpA	Via Cimabue, 11/2 - Senigallia (AN)	600,000	70.0%	100.0%	Full
Technologies for Water Services SpA	Via Ticino, 9 - Desenzano del Garda (BS)	11,164,000	100.0%	100.0%	Full

## Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS11

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
<b>Environment Segment</b>					
Ecomed Srl	Piazzale Ostiense, 2 - Rome	10,000	50.0%	50.0%	Equity
Picenambiente SpA	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	5,500,000	21.8%	21.8%	Equity
<b>Water Segment</b>					
Acque SpA	Via Garigliano, 1 - Empoli	9,953,116	45.0%	45.0%	Equity
Intesa Aretina Scarl	Via Benigno Crespi, 57 - Milan	18,112,000	35.0%	35.0%	Equity
Geal SpA	Viale Luporini, 1348 - Lucca	1,450,000	48.0%	48.0%	Equity
DropMi Srl	Piazzale Ostiense, 2 - Rome	1,000,000	50.0%	50.0%	Equity
Nuove Acque SpA	Patrignone - Località Cuculo (AR)	34,450,389	46.2%	16.2%	Equity
Publiacqua SpA	Via Villamagna - Firenze	150,280,057	40.0%	40.0%	Equity
Acque Servizi Srl	Via Bellatalla, 1 - Ospedaletto (PI)	400,000	100.0%	45.0%	Equity
Umbra Acque SpA	Via Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.0%	40.0%	Equity
<b>Generation Segment</b>					
KT4 Srl	Via SS. Pietro e Paolo, 50 - Rome	250,000	100.0%	40.0%	Equity
Ambra Solare 16 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 17 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 20 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 25 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 28 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 29 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 30 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 31 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 33 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 34 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 35 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 39 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 40 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 44 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Belaria Srl	Via Luciano Manara, 15 - Milan	10,000	49.0%	19.6%	Equity
Energia SpA	Via Barberini, 28 - Rome	239,520	49.9%	49.9%	Equity
Euroline 3 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Fergasolar Srl	Via Pietro Piffetti, 19 - Turin	10,000	100.0%	40.0%	Equity
Acea Green Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
IFV-Energy Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
JBSolar Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
M2D Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Marmaria Solare 8 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marmaria Solare 9 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marmaria Solare 10 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marche Solar Srl	Via Achille Grandi, 39 - Concordia sulla Secchia (MO)	10,000	100.0%	40.0%	Equity
PFPower of Future Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
PSL Srl	Via Ruilio, 18/20 - Catania	15,000	100.0%	40.0%	Equity
Solaria Real Estate Srl	Piazzale Ostiense, 2 - Rome	176,085	100.0%	40.0%	Equity
Solarplant Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Acea Sun Capital Srl	Piazzale Ostiense, 2 - Rome	10,000	40.0%	40.0%	Equity
Trinovolt Srl	Viale Tommaso Columbo, 31/D - Bari	10,000	100.0%	40.0%	Equity
<b>Engineering and Services Segment</b>					
Ingegnerie Toscane Srl	Via Francesco de Sanctis, 49 - Florence	100,000	99.9%	44.5%	Equity

The following companies are also consolidated using the equity method:

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
<b>Environment Segment</b>					
Amea SpA	Via San Francesco d'Assisi, 15C - Paliano (FR)	1,689,000	33.00%	33.00%	Equity
Coema	Piazzale Ostiense, 2 - Rome	10,000	67.00%	33.50%	Equity
<b>Overseas Segment</b>					
Aguaazul Bogotá SA	Calle 82 n. 19° - 34 - Bogotá - Colombia	652,361	51.00%	51.00%	Equity
<b>Water Segment</b>					
Le Soluzioni Scarl	Via Garigliano, 1 - Empoli	250,678	80.84%	51.63%	Equity
Sogea SpA	Via Mercatanti, 8 - Rieti	260,000	49.00%	49.00%	Equity
Umbria Distribuzione Gas SpA	Via Bruno Capponi 100 - Terni	2,120,000	55.00%	55.00%	Equity
<b>Generation Segment</b>					
Citelum Napoli Pubblica Illuminazione Scarl	Via Monteverdi Claudio, 11 - Milan	90,000	32.18%	32.18%	Equity
Sienergia SpA (in liquidation)	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%	42.08%	Equity
<b>Other</b>					
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine, 40 - Rome	10,000	33.00%	33.00%	Equity

## B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT - CONSOLIDATED

€ thousand	Profit for the year		Shareholders' equity	
	2022	2021	31/12/2022	31/12/2021
<b>Balances in statutory financial statements (Acea)</b>	<b>206,735</b>	<b>177,040</b>	<b>1,690,653</b>	<b>1,656,139</b>
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	65,945	129,808	224,262	(13,413)
Consolidation Goodwill	(20,122)	(17,119)	255,566	360,125
Accounted for using the equity method	28,042	29,872	170,628	170,084
Other changes	(877)	(6,292)	(49,840)	(48,964)
<b>Balances in consolidated financial statements</b>	<b>279,725</b>	<b>313,309</b>	<b>2,291,268</b>	<b>2,123,971</b>

## C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

### Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				Total
	Remuneration for the office	Non-monetary Benefits	Bonuses and other incentives	Other compensation	
Board of Directors	228	31	326	3,789	4,374
Board of Statutory Auditors	364	0	0	0	364

### Key Managers

Total fees due to executives with strategic responsibilities for 2022 amounted to:

- salaries and bonuses € 864 thousand;
- non-monetary benefits € 72 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

### Auditing firm

In accordance with article 149-*duodecies* of CONSOB Issuers' Regulations, the fees accrued by the independent auditors PwC in 2022 are provided in the table below.

€ thousand	Audit-related services	Audit services	Non-audit services	Total
Acea SpA	125	195	232	552
Acea Group	248	1,136	0	1,384
<b>Total Acea SpA and Group</b>	<b>373</b>	<b>1,331</b>	<b>232</b>	<b>1,936</b>



## D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

On the basis of the transparency rules for the system of public disbursements, pursuant to article 1, paragraph 125 of Law 124/2017, the following is declared with reference to 31 December 2022:

- Acea Ato5 collected € 1,942 thousand from ARERA for “Replacement of the Supino and Morolo water supply pipeline”, € 769 thousand for regional financing of water and sewer system adjustments and € 35 thousand from the Ministry of Infrastructure and Sustainable Mobility for the application for access to the Fund for adjustment of the prices of building materials referred to in article 1-septies, paragraph 8, of Law Decree 73/2021;
- Acea Ato2 collected a contribution of € 586 thousand from the Lazio Region as a result of the request for access to the Fund for the adjustment of the prices of building materials referred to in article 1-septies, paragraph 8, of the Law Decree 73 of 25 May 2021 converted, with amendments, by law of 23 July 2021 no. 106;
- Acea Ato2 also collected € 15,000 thousand representing a 10% advance on the public financing envisaged in the National Recovery and Resilience Plan (NRRP), deriving from Ministerial Decree 517 of 16 December 2021, issued by the Ministry of Infrastructure and Sustainable Mobility, which calls for projects on potable water and/or irrigation supply systems to optimise and complete water infrastructure for the derivation, storage and discharge of the resource, with the aim of improving climate change resilience, improving the security of existing infrastructure and reducing water waste;
- Acquedotto del Fiora received € 463 thousand from the Ministry of Infrastructure and Sustainable Mobility for the request to access the Fund for adjustment of the prices of building materials, pursuant to article 1-septies, paragraph 8 of Decree Law 73/2021 and € 280 thousand from the Ministry of Economy and Finance as a contribution relative to the public financing envisaged in the National Recovery and Resilience Plan (NRRP);
- GORI received € 13,526 thousand as an advance on regional contributions to develop systems;
- in 2022, MEG accrued tax credits under Law 178/2020 for

€ 109 thousand, tax credits under Law 160/2019 for 15 thousand, energy tax credits (article 6 of the Aid-bis Decree, converted by Law 142/2022, as amended) for € 92 thousand and collected a Sabatini Law contribution for € 11 thousand;

- Tecnoservizi utilised € 20 thousand relative to a tax credit for a diesel subsidy;
- Ecologica Sangro received € 41 thousand as a contribution for employment in disadvantaged areas - Decontribuzione Sud (art. 27, Decree Law 104/2020);
- DEMAP utilised a tax credit in favour of energy intensive companies with an amount accruing in 2022 equal to around € 115 thousand; it also benefited from € 158 thousand for environmental protection goals based on Regulation (EU) 2015/1589 aid procedure, notified pursuant to article 108 of the TUIR;
- Deco made use of contributions for employment in disadvantaged areas — Decontribuzione Sud (art. 27, Decree Law 104/2020) in the amount of € 472 thousand;
- Gesesa collected € 157 thousand from the Campania Region as a contribution for the Development and Cohesion Plan.

It should be noted that the company areti has two loans granted by Cassa Depositi e Prestiti SpA and UBI Banca SpA pursuant to Italian Law no. 311, art. 1, paragraphs 354 to 361 of 30 December 2004 and subsequent amendments and additions and of Italian Law no. 46 of 17 February 1982, granted for the implementation of an investment programme permitted by the Ministry of Economic Development for the allowances envisaged by the aforementioned laws (Smart Network Management System Project). The loan is made up of a subsidised amount paid by Cassa Deposito e Prestiti and UBI Banca at a fixed rate of 0.5% and a non-subsidised bank loan provided by UBI Banca at a variable rate equal to the Euribor six-month rate plus a spread of 4%, both to be repaid according to an amortisation plan that will end in 2022. The payable relative to the subsidised loan at 31 December 2022 was € 855 thousand (€ 1,709 thousand at 31 December 2021) while the non-subsidised bank loan at 31 December 2022 came to € 190 thousand (€ 380 at 31 December 2021).

## E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a better understanding of the breakdown provided in this section:

- **Environment**, responsible from an organisational point of view, for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocarr, Cavallari, Deco, MEG, S.E.R. Plast and AS Recycling.
- Responsible **Sales and Trading**, from an organisational point of view, of the companies Acea Energia, Aema, Umbria Energy, Acea Innovation and Cesap Vendita Gas;
- **Overseas** responsible, from an organisational point of view, for the activities carried out abroad;
- Responsible **Water**, from an organisational point of view, for

the water companies operating in Lazio, Campania, Tuscany and Umbria, and for the gas distribution companies operating in Abruzzo;

- **Generation** refers to Acea Produzione, Ecogena, Acea Liquidation and Litigation, Acea Sun Capital, Acea Solar and all the Photovoltaic companies;
- **Energy Infrastructure** refers to areti and public lighting;
- **Engineering and Services** responsible, from the organizational point of view, of Acea Elabiori, TWS, Ingegnerie Toscane and SI-MAM.

It should be noted that the comparative figures have been reclassified for insignificant amounts for the sake of clarity.

## Balance sheet - Assets 2021

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Capex	36,122	49,392	4,590	522,092	39,442
Total property, plant and equipment	298,039	(589)	33,583	130,783	216,625
Total intangible fixed assets	153,968	199,095	35,593	3,559,822	1,352
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	9,347	3,727	1,824	19,312	640
Receivables from customers	103,515	335,508	8,135	482,339	43,345
Receivables from Parent Company	216	14,480	0	26,110	515
Receivables from associates	4	(84)	2	170	5
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
<b>Total assets</b>					

## Balance sheet - Liabilities 2021

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Trade payables to third parties	72,838	671,633	2,952	701,790	31,906
Trade payables to Parent Company	7,049	30,176	67	142,560	4,334
Trade payables to subsidiaries and associates	8	69	133	5,897	0
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	11,659	4,699	401	35,666	2,762
Other provisions	58,306	19,130	256	50,478	21,069
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
<b>Total liabilities and shareholders' equity</b>					

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
270,634	3,876	0	274,509	9,860	34,400	0	970,407
2,130,541	10,776	0	2,141,317	17,261	104,755	(928)	2,940,844
102,820	0	0	102,820	25,376	63,863	(377,519)	3,764,370
							292,239
							2,980
							778,671
							3,172,499
37,898	0	0	37,898	19,104	0	(5,446)	86,406
165,825	700	0	166,525	45,254	580	(158,228)	1,026,971
3,691	57	0	3,748	92	(27)	(10,663)	34,472
0	0	0	0	4,660	178,674	(173,231)	10,201
							411,996
							(2,742,007)
							680,820
							168,425
							10,628,886

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
155,755	10,739	0	166,494	20,557	116,406	(169,637)	1,614,938
39,666	26	0	39,692	4,552	182	(166,150)	62,462
0	8,136	0	8,136	0	3,196	(11,276)	6,163
							581,768
							285,222
39,326	0	0	39,326	5,315	20,334	0	120,150
25,707	0	0	25,707	2,222	(7,123)	23,275	193,318
							409,064
							4,791,979
							47,402
							2,516,420
							10,628,886

## Income statement 2021

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Revenues	234,687	2,078,340	77,073	1,221,186	125,360
Staff costs	30,458	23,956	20,911	113,641	1,118
Costs of materials and overhead	140,489	1,973,865	28,774	468,944	45,640
Net income/(expense) from commodity risk management	0	0	0	0	0
Valuation of companies using the equity method	(14)	0	0	16,695	936
<b>EBITDA</b>	<b>63,727</b>	<b>80,519</b>	<b>27,388</b>	<b>655,296</b>	<b>79,538</b>
Depreciation/amortisation and impairment losses	31,194	65,939	10,982	347,636	30,185
<b>Operating profit/(loss)</b>	<b>32,533</b>	<b>14,580</b>	<b>16,407</b>	<b>307,660</b>	<b>49,352</b>
Financial (costs)/income					
(Expenses)/income from equity investments	191	0	2,592	4,743	152
<b>Profit/(loss) before tax</b>					
Taxes					
<b>Net profit/(loss)</b>					



## Balance sheet - Assets 2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Capex	46,226	49,556	5,803	610,966	30,257
Total property, plant and equipment	340,749	4,472	35,764	159,297	224,324
Total intangible fixed assets	188,865	207,953	35,223	3,936,643	37,855
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	11,405	4,911	2,141	21,999	1,447
Receivables from customers	105,234	539,115	11,113	487,925	40,271
Receivables from Parent Company	359	17,844	0	28,835	412
Receivables from associates	15	(138)	0	3,031	291
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
<b>Total assets</b>					

## Balance sheet - Liabilities 2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Trade payables to third parties	86,755	700,589	4,519	826,813	26,973
Trade payables to Parent Company	7,649	26,152	67	91,147	3,921
Trade payables to subsidiaries and associates	0	0	167	8,934	4,565
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	11,271	3,889	545	35,409	2,002
Other provisions	73,072	12,528	126	56,803	26,059
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
<b>Total liabilities and shareholders' equity</b>					



areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
267,244	1,554	0	268,797	5,802	32,690	0	1,050,097
2,255,804	10,275	0	2,266,079	10,607	106,326	(1,111)	3,146,506
114,051	0	0	114,051	25,252	61,462	(370,764)	4,236,541
							348,885
							3,007
							803,389
							22,108
41,092	0	0	41,092	39,246	0	(17,734)	104,507
145,313	802	0	146,115	47,236	1,310	(162,183)	1,216,135
4,193	57	0	4,250	224	(36)	(14,235)	37,652
0	0	0	0	48	147,823	(137,412)	13,658
							485,076
							342,085
							559,908
							19,076
							11,338,533

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
161,298	11,429	0	172,727	28,652	131,454	(175,905)	1,802,577
30,509	0	0	30,509	3,412	182	(122,726)	40,313
0	10,848	0	10,848	31	3,486	(20,941)	7,090
							659,068
							619,418
33,147	0	0	33,147	4,836	21,901	0	112,989
28,656	0	0	28,656	2,274	(4,766)	23,275	218,025
							399,628
							4,722,263
							1,919
							2,755,243
							11,338,533

## Income statement 2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Revenues	342,367	3,159,688	95,053	1,348,820	173,870
Staff costs	40,592	27,085	26,701	117,589	6,243
Costs of materials and overhead	200,169	3,042,629	35,376	587,831	79,176
Net income/(expense) from commodity risk management	0	0	0	0	0
Valuation of companies using the equity method	0	0	0	25,562	1,386
<b>EBITDA</b>	<b>101,606</b>	<b>89,974</b>	<b>32,976</b>	<b>668,962</b>	<b>89,837</b>
Depreciation/amortisation and impairment losses	43,058	67,951	13,543	400,306	14,520
<b>Operating profit/(loss)</b>	<b>58,548</b>	<b>22,023</b>	<b>19,434</b>	<b>268,656</b>	<b>75,317</b>
Financial (costs)/income					
(Expenses)/Income from equity investments	236	0	16	295	17,600
<b>Profit/(loss) before tax</b>					
Taxes					
<b>Net profit/(loss)</b>					





***Independent auditor's report***

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

***Acea SpA***

***Consolidated financial statements  
as of 31 December 2022***



## Independent auditor's report

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

To the shareholders of  
Acea SpA

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of the Acea Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### Basis for Opinion

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

#### Emphasis of matters

We draw your attention to paragraph "Trend of operating segments – Operating Segment - Water and Operating Segment – Environment" of the report on operations and to paragraphs "Goodwill" and "Service Concession Arrangements" of the notes to the financial statements which describe:

#### PricewaterhouseCoopers SpA

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- With specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance arisen from the most recent tariff provisions approved by the Area Authority with the consequent confirmation of the existence of material uncertainties that may cast significant doubts on the subsidiary's ability to continue as a going concern, as well as (ii) further uncertainties related to the ongoing tax litigation and the complex in and out of court legal dispute with the Area Authority related to the termination of the concession agreement, the approval of the tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;
- the complex regulatory measures, with particular reference to what lies behind the approval process of water and waste tariffs.

Moreover, we draw attention to paragraphs "Information on Related Parties" and "Receivables due from the Parent Company - Roma Capitale" of the notes to the financial statements, as well as to paragraph "Relations with Roma Capitale" included in section "Summary of results" of the Report on Operations, where the directors described the relations with Roma Capitale and in particular the current discussions on the recognition of the Administration's payable to Acea/areti with reference to the public lighting service.

Our opinion is not qualified in respect of these matters.

### **Key audit matters**

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

<b>Key Audit Matters</b>	<b>Auditing procedures performed in response to key audit matters</b>
<p><b>Determination of revenue from sales and services and receivables for invoices to be issued</b></p> <p><i>Note 1 "Revenue from sales and services" and note 26 "Trade receivables" to the consolidated financial statements</i></p> <p>The Group recognised in the consolidated financial statements as of 31 December 2022 receivables from users for invoices to be issued for an amount equal to Euro 641 million compared to revenue from sales and services amounting to Euro 4,957 million.</p>	<p>The audit procedures we performed consisted in understanding, assessing and validating the operation of relevant controls implemented by management as part of the revenue cycle, with particular, but not exclusive, reference to the update of the customer database, the recognition of meter readings, consumption estimates, the calculation of tariffs and the valuation of invoices and receipts.</p>



The Group recognises revenue from sales and services when control of the good is actually transferred or when a service is rendered in accordance with the requirements of IFRS 15 “Revenue from contracts with customers”.

In particular:

- i) revenues from the sale and transport of electricity and gas are recognised at the time the service is supplied or provided, even if they are not invoiced, and are determined by adding appropriate estimates on the volumes supplied/transported to revenues that are calculated on the basis of pre-established meter reading calendars;
- ii) revenues from distribution of electricity take into account the tariffs and the restriction on revenue established by the Italian Regulatory Authority for Energy, Networks and the Environment (“ARERA”). Moreover, if the admission of investments in tariffs that establishes the operator’s right to payment is virtually certain, the corresponding revenues are recognised as determined by the ARERA Resolution 654/2015 (the so-called regulatory lag);
- iii) revenues from integrated water service are determined on the basis of the estimated consumption for the period and of the tariffs and of the operator’s Guaranteed Revenue Constraint (GRC) provided for in the tariff plan prepared in accordance with the Water Pricing Method applied for the calculation of the 2020-2023 tariffs and approved by the competent authorities. Furthermore, the Group recognises under revenues for the year adjustments for the so-called pass-through items, as well as any adjustment related to costs pertaining to the Integrated Water Service incurred for the occurrence of exceptional events (i.e. water and environmental emergencies), if the preliminary investigation for their recognition has given positive results.

Moreover, we performed the following specific validity tests for each type of revenue.

- i) Revenues from the sale and transport of electricity and gas
  - We compared the electricity and gas quantities sold included in the billing system with the data communicated by the distributors and the quantities purchased, in order to establish the reasonableness of the estimated quantities sold still to be billed;
  - We verified the correct valuation of invoices to issue based on the estimated quantities sold but not yet invoiced and the tariffs in force in the period under analysis.
- ii) Revenues from electricity distribution
  - We compared the quantities distributed included in the billing system with the quantities supplied to the grid communicated by the dispatcher net of expected grid losses, in order to ascertain the reasonableness of the estimated quantities distributed not yet invoiced;
  - We tested the correct valuation of invoices to issue on the basis of the estimated distributed quantities still to be invoiced and of the tariffs in force in the period under analysis;
  - We verified the correct calculation of receivables/payables for the electricity equalisation to the extent of the difference between sales revenues invoiced/to be invoiced to customers and the regulatory revenues attributable to the year and established by the ARERA;
  - We verified the methods adopted by management to determine the accruals for the “regulatory lag”.
- iii) Revenues from the integrated water service
  - We reconciled revenues from the integrated water service with the GRC adjusted to reflect the adjustments to the pass-through items and those related to the costs incurred in consequence of exceptional events occurred;





The methods to determine allocations for invoices to be issued are based on the use of complex algorithms and include significant estimates. Therefore, we paid particular attention to the risk of wrong calculation of revenues from sales and services and of the related receivables from users for invoices to be issued.

- We verified the correct determination of receivables for invoices to be issued for tariff adjustments to an extent equal to the difference between revenues for bills issued /to be issued and the adjusted GRC.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

### **Investments and disinvestments of non-current assets and impairment test**

*Note 14 “Property, plant and equipment”, note 16 “Goodwill”, note 17 “Concessions and rights on infrastructure” and note 18 “Intangible fixed assets” to the consolidated financial statements*

The Group recognised in the consolidated financial statements as of 31 December 2022 non-current assets equal to Euro 7,383 million, of which Euro 3,144 million related to tangible assets and Euro 4,146 million related to intangible assets (including concessions and goodwill).

The Group investments in the period totalled Euro 1,040 million, of which Euro 345 million related to tangible assets and Euro 694 million related to intangible assets (including concessions and goodwill).

In this respect, we highlight that for regulated activities (in particular the integrated water service and the electricity distribution), the tariffs and, accordingly, the Group’s revenues are directly influenced by the amount of the invested capital and therefore by changes in non-current assets. As a result, the overestimate or underestimate of the abovementioned non-current assets could increase or decrease the tariffs applied to final users under the performance of the integrated water service and the transport of electricity.

Annually, the Group, on the basis of its internal procedures, performs the impairment test pursuant to IAS 36 “*Impairment of assets*” using the Discounted Cash Flow method to determine the

We performed our compliance procedures in order to comprehend, evaluate and validate the internal control system with reference to the corporate processes related to the management of non-current assets.

Our validity tests were focused on the analysis of the changes in non-current assets during the financial year, verifying that they were reconciled with the fixed asset register, with the supporting documentation about a sample of investments and divestments during the year, especially in the integrated water service and in the electricity distribution segments.

With reference to these segments, we verified if the requirements for the capitalization of internal and external costs provided for by IAS 16 “*Property, plant and equipment*” and IAS 38 “*Intangible assets*” had been complied with, we checked the existence of the services capitalized, that is if the service or goods being verified had been actually rendered or delivered/installed and correctly recognised.

With reference to the impairment test, we performed our audit procedures in order to:

- assess the consistency of the estimate method used by the Group with the provisions of IAS 36 and the valuation practice;
- verify the process of identification of the Cash Generating Units (CGUs), based on the current organisational structure;



recoverable amount of assets. The impairment test is based on a two-level approach. A first level concerns the estimate of the recoverable amount of the Group's industrial plants and a second level relates to the estimate of the recoverable amount of the CGUs that include goodwill. In particular, goodwill is tested for impairment at least annually and with the same frequency, in compliance with a specific internal policy, the impairment test is carried out on the Group's industrial plants, also without any impairment indicators. The recoverability assessment was carried out on the basis of the cash flows under the 2020-2024 Business Plan of the Group approved by the Board of Directors on 27 October 2020 and updated, where necessary, to take account of the regulatory developments and the events occurred between the date of approval of the Plan and the date of approval of the financial statements.

With reference to FY2022 the Group's management availed itself of an external expert for the performance of the impairment test.

Considering the numerous changes occurred during the year in the assets of the regulated activities and the complexity of estimating the recoverable value of the above-mentioned assets, which are based on evaluation assumptions affected by economic, financial and market conditions that are difficult to predict, as part of our auditing we devoted special attention to these financial statement areas.

### **Determination of the provision for doubtful accounts – trade receivables**

*Note 26 "Trade receivables" of the consolidated financial statements*

The Group recognised in the consolidated financial statements as of 31 December 2022 a provision for doubtful trade accounts for an amount equal to Euro 616 million.

At each reporting date the Group estimates the irrecoverable amount of trade receivables based on complex calculation models which rely upon the requirements in the accounting standard IFRS 9 "Financial Instruments".

- iii) verify the appropriateness of the types of cash flows used and their consistency with the Group's Business Plan, updated to take into account the events occurred between the date of approval of the Plan and the date of approval of the financial statements;
- iv) verify the reasonableness of the main assumptions used by management to perform the impairment test and related sensitivity analyses on all the CGUs that include goodwill;
- v) verify the reasonableness of the main assumptions used by management to perform the impairment test with reference to the CGU "Acea Ato5" in relation to the uncertainties connected thereto; and
- vi) evaluate the independence, technical capabilities and related objectivity of the external expert engaged by the management for the performance of the impairment test, as well as the methods used by him.

As part of our auditing, we were also supported by our PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

We performed our audit procedures in order to verify the correctness of the reports generated by the information systems and used by the directors in order to determine the Expected Credit Losses that can be attributed to the balance of receivables from specific customers or customer clusters. We also tested the reasonableness of the assumptions underlying the calculation model.

Through inquiries of the credit managers of the Group and of individual companies, we evaluated, on a sample basis, certain specific positions also by analysing the lawyers' replies



The estimate of the recoverability of trade receivables is characterised by a specific complexity related to the high number of customers and to the fragmentary nature of the amounts. Furthermore, the evaluations are affected by different socio-economic variables related to the different categories of customers, in addition to international geo-political factors. Therefore, as part of our audit activities we paid particular attention to the risk of a wrong quantification of the estimate under examination.

to the requests for information, by examining the guarantees given by the various customers and by assessing any other piece of information gathered after the reporting date.

Moreover, we verified the consistency of the method used by the Group with the provisions of IFRS 9 and the accuracy of the mathematical calculation for the determination of the expected credit losses.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

### Business combinations

*“Business combinations” section of the consolidated financial statements*

During 2022, the Group continued the acquisition process started in 2019. In detail, eight companies were acquired in FY 2022, one of which in the Generation business segment and seven in the Environment business segment. Control of the aforesaid companies, recognised in accordance with IFRS 3 “Business combinations”, was obtained both through the acquisition of the majority of the capital shares and the signing of shareholders’ agreements.

The allocation of the price paid required a significant estimation process considering the assumptions used to determine the fair value of the acquired assets and liabilities. For such matters, the directors were supported, when deemed necessary, by external experts.

Due to the numerous acquisitions and the complex issues underlying the related measurement and recognition process, we paid particular attention to such financial statement matter.

We performed our audit procedures in order to verify the methodological correctness of the accounting process underlying the acquisitions.

Furthermore, we verified the supporting documentation of the acquisitions, the fulfilment of the definition of business as provided for by IFRS 3, the appropriate identification of the assets and liabilities as well as the reasonableness of the assumptions underlying the directors’ estimates to determine the related fair value.

We evaluated the independence, technical capabilities and the objectivity of the external experts involved, as well as the methods used by them.

As part of our audit activities, we were also supported by the PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors with reference to the business combinations performed and the related financial statement items.



### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Acea SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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



related to events or conditions that may cast significant doubt on the 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 consolidated 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;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We 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 communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

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

On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.



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

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

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the “Commission Delegated Regulation”) to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998***

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Acea Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of the Acea



Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Acea Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

***Statement in accordance with article 4 of Consob's Regulation implementing  
Legislative Decree No. 254 of 30 December 2016***

The directors of Acea SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 28 March 2023

PricewaterhouseCoopers SpA

*Signed by*

Luigi Necci  
(Partner)

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*



# CERTIFICATION OF CONSOLIDATE FINANCIAL STATEMENTS

(in accordance with art. 154-*bis* of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Fabrizio Palermo, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company Acea S.p.A., taking also account of provisions envisaged by Art. 154-*bis*, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:
  - the consistency to the business characteristics and
  - the effective application
 of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2022.
2. To this purpose, no significant issues were recorded.
3. It is also certified that:
  - 3.1 the consolidated financial statements:
    - a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
    - b) are consistent with the underlying accounting books and records,
    - c) provide a true and correct view of the operating results and financial position of the issuer and the overall of companies included in the consolidation,
  - 3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 08 March 2023

signed by: Fabrizio Palermo, The CEO

signed by: Fabio Paris, The Executive Responsible for Financial Reporting

*This report has been translated into the English language solely for the convenience of international readers*