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FINANCIAL STATEMENTS


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FORM AND STRUCTURE

GENERAL INFORMATION

The financial statements of Acea SpA for the year ended 31 December 2022 were approved by resolution of the Board of Directors on 8 March 2023, which authorised their publication. Acea is an Italian public limited company, with a registered office in Italy, Rome, Piazzale Ostiense 2, whose shares are traded on the Milan Stock Exchange.

COMPLIANCE WITH IAS/IFRS

The financial statements have been drafted in accordance with the International Financial Reporting Standards (IFRS) effective on the date of drafting the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Union, consisting of the International Financial Reporting Standards (IFRS), by the International Accounting Standards (IAS) and by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), collectively referred to as "IFRS" and pursuant to art. 9 of Italian Legislative Decree no. 38/05.
Acea SpA adopts the international accounting standards, International Financial Reporting Standards (IFRS), with effect from the financial year 2006, with transition date to the IFRS at 1 January 2005. The latest financial statements drafted according to the Italian accounting standards refer to the financial year ended on 31 December 2005.

BASIS OF PRESENTATION

The Financial Statements for the year ended on 31 December 2022 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity – all drafted according to the provisions of IAS 1 – as well as the Explanatory and Supplementary Notes, drafted in accordance with applicable IAS/IFRS provisions.
It is specified that the Income Statement is classified based on the nature of the costs, the Balance Sheet and Financial Position based on the liquidity criterion with the subdivision of items between current and non-current, while the Cash Flow Statement is presented using the indirect method.
The Acea SpA Financial Statements are prepared using the going concern assumption. In fact, in the Company's assessment there are no significant uncertainties regarding the company as a going concern (as defined in paragraph 25 of IAS 1).
The financial statements for the year ended on 31 December 2022 have been drafted in Euro and all amounts are rounded to thousands of Euro unless otherwise indicated.

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.
Financial debt is represented and determined in accordance with what is indicated in the aforementioned ESMA guidelines and in particular in paragraph 127 of the recommendations contained in 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".

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities 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.
The estimates were used in the assessment of the impairment test, to determine some sales revenues, for provisions for risks and charges, the allowance for doubtful accounts and other provisions for depreciation, amortisation, valuations of derivative instruments, employee 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.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The most significant principles and criteria are explained below.

NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets (and discontinued operations groups) classified as held for sale are valued at the lower of their previous carrying amount and market value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale transaction rather than their use in the company's operations. 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.

EXCHANGE DIFFERENCES

The functional and presentation currency adopted by Acea SpA and by subsidiaries in Europe is the Euro (€). 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 reconverted 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 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 items measured at historical cost in a foreign currency are translated using the exchange rate in force on the date of initial recognition of the transaction. Non-monetary items recorded at fair value are converted using the exchange rate on the date of calculation of this value.

The currency used by Latin American subsidiaries is the official currency of their country. On the balance sheet date, the assets and liabilities of these companies are converted into the presentation currency adopted by Acea SpA using the exchange rate in effect on the balance sheet date, and their Income Statement is converted using the average exchange rate for the year or the exchange rates prevailing on the date of execution of the relevant transactions. Differences in translation emerging from the different exchange rates used for the income statement with respect to the balance sheet are recorded directly in equity and are shown separately in one of its specific reserves. At the time of disposal of a foreign economic entity, the accumulated foreign exchange differences recorded in the shareholders' equity in a specific reserve will be recognised in the Income Statement.

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 steps in accounting for revenues 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 measured by Acea SpA at the fair value of the consideration received or receivable, based on the type of operation, taking into account the value of any commercial discounts, returns and rebates granted.

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.

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. Contributions received for specific plants whose value is recorded under fixed assets are recorded (using the indirect method) among other non-current liabilities and progressively released to the Income Statement in constant instalments over a period equal to the useful life of the reference asset.
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.

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.

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.

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.
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, 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 State-

ment, with the exception of those relating to items recognised directly in equity, in which case the relevant deferred taxes are also recognised in equity.

TANGIBLE ASSETS

Tangible assets are recognised at 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. 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 by applying the following percentage rates:

Description	Economic-technical depreciation rate Min	Max
Instrumental systems and equipment	1.25%	6.67%
Non-instrumental systems and equipment	4%	
Instrumental industrial and commercial equipment	2.5%	6.67%
Non-instrumental industrial and commercial equipment	6.67%	
Other capital goods	12.50%	
Other non-capital goods	6.67%	19%
Instrumental vehicles	8.33%	
Non-instrumental vehicles	16.67%	

Systems and equipment under construction for production purposes are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, for some assets, financial charges capitalised in accordance with the Company's accounting policies. 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. Tangible assets are subjected annually to a recoverability analysis in order to detect any loss in value: this analysis is carried out at the level of individual tangible assets or, possibly, at the level of the cash-generating unit. Assets held as financial leases are depreciated in relation to their estimated useful life as for assets held as property or, if lower, based on the expiry dates of leases. 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. The percentages applied are between a minimum of 1.67% and a maximum of 11.11%. 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 physical substance, that can be identified, are controlled by the company and are able to produce future economic benefits. 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. Intangible assets with an indefinite useful life are subjected annually to a recoverability analysis in order to detect any loss in value: this analysis is carried out at the level of the individual intangible asset or, possibly, at the level of the cash-generating unit. The useful life is reviewed annually and any changes, where possible, are made by means of analytical tables. 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.

BRANDS

Brands, as distinctive markers for a company, are an emblem, name or sign and can be registered if they meet the requirements of novelty, originality and legality. They are recognised under intangible assets and initially recognised at acquisition cost, amortised at constant rates over their useful lives. Costs incurred for internal creation of brands are not capitalised and hence must be allocated to the income statement.

RIGHTS OF USE OF INTELLECTUAL PROPERTY

Costs relative to this item refer to the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management. They 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, IAS17 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). Rights of use for leased assets 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.

EQUITY INVESTMENTS

Investments in subsidiaries and associates are recorded in the balance sheet at the adjusted cost of any impairment losses on the individual equity investments. The cost of acquisition or subscription, for those relating to contributions, corresponds to the value determined by the experts in the estimate pursuant to art. 2343 of the Italian Civil Code. The excess of the acquisition cost compared to the share of the investee's shareholders' equity expressed at current values is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment tests and possibly written down. Losses in value are not subsequently restored if the reasons for such devaluation cease to exist. Losses on equity investments relating to the amount exceeding the amount of shareholders' equity are classified in the provision for risks and charges even if there is a credit exposure and until the eventual formal waiver of the receivable. Charges for settlement of equity investments are recognised through the valuation of the investments themselves regardless of the allocation of charges in the financial statements of investee companies. Investments in other companies, constituting non-current financial assets and not destined for trading activities, are measured at fair value if they can be determined: in this case, gains and losses deriving from the fair value measurement are booked directly to equity until the moment of the sale, when all the accumulated profits and losses are charged to the profit and loss account for the period. Investments in other companies for which fair value is not available are recorded at cost, written down for any permanent losses in value. Dividends are recognised in the Income Statement when the right to receive payment is established only if they derive from the distribution of profits subsequent to the acquisition of the investee company. If, however, they derive from the distribution of reserves of the investee prior to the acquisition, these dividends are recorded as a reduction in the cost of the investment itself.

TREASURY SHARES

The purchase cost of treasury shares is recognised as a decrease in equity. The effects of any subsequent transactions on these shares are also recognised directly in equity.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when Acea SpA becomes part of the instrument's contractual clauses.

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 is 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" model). 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 future cash flows.

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; for example, hedging of the fair value variability of fixed rate assets/liabilities), derivatives are recognised at fair value with the effects allocated 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 (e.g. 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 Acea 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 required 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.

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 other 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 reclassify, 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 reinsurance 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.

INCOME STATEMENT

Ref. note	€	2022	Of which related party transactions	2021	Of which related party transactions	Change
1	Revenue from sales and services	191,611,338	191,604,070	160,125,381	160,125,381	31,485,958
2	Other revenue and proceeds	18,803,427	8,926,370	12,486,057	9,260,368	6,317,370
	Net revenues	**210,414,765**	**200,530,440**	**172,611,438**	**169,385,748**	**37,803,327**
3	Staff costs	63,845,418	0	61,862,387	0	1,983,031
4	Costs of materials and overhead	185,119,951	67,661,283	153,456,601	49,877,016	31,663,350
	Operating costs	**248,965,369**	**67,661,283**	**215,318,988**	**49,877,016**	**33,646,381**
	EBITDA	**(38,550,604)**	**132,869,157**	**(42,707,550)**	**119,508,732**	**4,156,946**
5	Net write-downs (write-backs) of trade receivables	188,019	0	24,270	0	163,749
6	Depreciation, amortisation and provisions	45,928,818	0	29,944,261	0	15,984,557
	Operating profit/(loss)	**(84,667,441)**	**132,869,157**	**(72,676,081)**	**119,508,732**	**(11,991,360)**
7	Financial income	89,303,287	87,162,632	90,390,382	89,597,598	(1,087,096)
8	Financial charges	(67,575,778)	(1,633,491)	(60,090,159)	1,181,938	(7,485,618)
9	Profit/(Loss) on equity investments	258,169,402	258,169,402	213,791,145	213,791,145	44,378,257
	Profit/(loss) before tax	**195,229,470**	**476,567,701**	**171,415,287**	**424,079,413**	**23,814,183**
10	Income tax	(11,505,799)	(100,587,879)	(5,624,678)	(99,067,413)	(5,881,121)
	Net profit/(loss)	**206,735,269**	**577,155,580**	**177,039,965**	**523,146,826**	**29,695,304**

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2022	2021	Change
Net profit/(loss) for the period	**206,735**	**177,040**	**29,695**
Provision for exchange rate difference	10,348	5,715	4,633
Tax on exchange rate difference	(2,484)	(1,372)	(1,112)
Gains/losses from exchange rate difference	**7,865**	**4,344**	**3,521**
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	3,782	1,268	2,514
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(908)	(304)	(603)
Profit/(loss) from the effective portion on hedging instruments, net of tax	**2,874**	**963**	**1,911**
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	(3,259)	317	(3,576)
Tax effect on the other actuarial profit/(loss) on staff benefits	964	(94)	1,057
Actuarial profit/(loss) on defined benefit pension plans, net of tax	**(2,295)**	**224**	**(2,519)**
Total of the comprehensive income components, net of tax	**8,444**	**5,531**	**2,913**
Total comprehensive profit/(loss)	**215,179**	**182,570**	**32,608**

All components are reclassifiable in the income statement.

STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS €	31/12/2022	Of which related party transactions	31/12/2021	Of which related party transactions	Change
11	Tangible fixed assets	114,345,128	0	109,998,020	0	4,347,108
12	Real estate investments	2,255,615	0	2,313,973	0	(58,358)
13	Intangible fixed assets	92,196,660	0	50,024,832	0	42,171,829
14	Rights of use	8,469,822	0	13,713,354	0	(5,243,532)
15	Equity investments in subsidiaries and associates	2,059,276,845	0	1,967,610,627	0	91,666,218
16	Other equity investments	2,350,061	0	2,350,061	0	0
17	Deferred tax assets	13,453,405	0	15,936,874	0	(2,483,469)
18	Financial assets	3,547,241,204	3,538,039,094	3,381,710,587	3,381,496,732	165,530,617
19	Other non-current assets	208,031	0	0	0	208,031
	NON-CURRENT ASSETS	**5,839,796,772**	**3,538,039,094**	**5,543,658,328**	**3,381,496,732**	**296,138,444**
20.a	Trade receivables	149,228,675	148,311,002	179,359,457	178,870,393	(30,130,782)
20.b	Other current assets	52,764,394	17,614,932	34,243,368	10,794,407	18,521,026
20.c	Current tax assets	9,221,644	0	5,763,984	0	3,457,660
20.d	Current financial assets	667,282,749	472,146,361	656,858,285	382,044,891	10,424,464
20.e	Cash and cash equivalents	299,918,068	0	441,537,965	0	(141,619,897)
20	**CURRENT ASSETS**	**1,178,415,530**	**638,072,295**	**1,317,763,059**	**571,709,691**	**(139,347,529)**
	TOTAL ASSETS	**7,018,212,302**	**4,176,111,389**	**6,861,421,387**	**3,953,206,423**	**156,790,915**

Ref. note	LIABILITIES €	31/12/2022	Of which related party transactions	31/12/2021	Of which related party transactions	Change
21.a	Share capital	1,098,898,884	0	1,098,898,884	0	0
21.b	Legal reserve	147,500,875	0	138,648,876	0	8,851,998
21.c	Other reserves	91,953,742	0	83,510,169	0	8,443,573
	Retained earnings/(losses)	145,563,757	0	158,041,511	0	(12,477,754)
	Profit (loss) for the year	206,735,269	0	177,039,965	0	29,695,304
21	**Shareholders' equity**	**1,690,652,526**	**0**	**1,656,139,405**	**0**	**34,513,121**
22	Staff termination benefits and other defined benefit plans	21,900,859	0	20,334,441	0	1,566,418
23	Provisions for risks and charges	17,381,138	0	15,024,375	0	2,356,763
24	Borrowings and financial liabilities	4,404,758,960	103,760,000	4,518,587,572	116,730,000	(113,828,612)
25	Other liabilities	31,714,037	31,115,294	2,292,157	0	29,421,880
	NON-CURRENT LIABILITIES	**4,475,754,993**	**134,875,294**	**4,556,238,545**	**116,730,000**	**(80,483,551)**
26.a	Borrowings	572,823,648	211,353,727	393,135,128	323,877,941	179,688,519
26.b	Payables to suppliers	233,199,222	104,651,289	222,153,522	106,226,888	11,045,700
26.c	Other current liabilities	45,781,912	21,753,194	33,754,786	9,442,477	12,027,126
26	**CURRENT LIABILITIES**	**851,804,782**	**337,758,210**	**649,043,437**	**439,547,306**	**202,761,345**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,018,212,302**	**472,633,503**	**6,861,421,387**	**556,277,306**	**156,790,915**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscella-neous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Share-holders' Equity
Balance as at 31 December 2021	**1,098,899**	**138,649**	**102,567**	**9,397**	**(19,099)**	**(9,734)**	**379**	**158,042**	**177,040**	**1,656,139**
Balance at 1 January 2022	**1,098,899**	**138,649**	**102,567**	**9,397**	**(19,099)**	**(9,734)**	**379**	**158,042**	**177,040**	**1,656,139**
Income statement profit	0	0	0	0	0	0	0	0	206,735	**206,735**
Other comprehensive income (loss)	0	0	0	7,865	2,874	(2,295)	0	0	0	**8,444**
Total comprehensive income (loss)	**0**	**0**	**0**	**7,865**	**2,874**	**(2,295)**	**0**	**0**	**206,735**	**215,179**
Allocation of result for 2021	0	8,852	0	0	0	0	0	168,188	(177,040)	**0**
Distribution of dividends	0	0	0	0	0	0	0	(180,666)	0	**(180,666)**
Balance as at 31 December 2022	**1,098,899**	**147,501**	**102,567**	**17,262**	**(16,225)**	**(12,029)**	**379**	**145,564**	**206,735**	**1,690,653**

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscella-neous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Share-holders' Equity
Balance as at 31 December 2020	**1,098,899**	**129,761**	**102,567**	**5,053**	**(20,062)**	**(9,958)**	**379**	**159,207**	**177,761**	**1,643,607**
Balance at 1 January 2021	**1,098,899**	**129,761**	**102,567**	**5,053**	**(20,062)**	**(9,958)**	**379**	**159,207**	**177,761**	**1,643,607**
Income statement profit	0	0	0	0	0	0	0	0	177,040	**177,040**
Other comprehensive income (loss)	0	0	0	4,344	963	224	0	0	0	**5,531**
Total comprehensive income (loss)	**0**	**0**	**0**	**4,344**	**963**	**224**	**0**	**0**	**177,040**	**182,570**
Allocation of result for 2020	0	8,888	0	0	0	0	0	168,873	(177,761)	**0**
Distribution of dividends	0	0	0	0	0	0	0	(170,038)	0	**(170,038)**
Balance as at 31 December 2021	**1,098,899**	**138,649**	**102,567**	**9,397**	**(19,099)**	**(9,734)**	**379**	**158,042**	**177,040**	**1,656,139**

CASH FLOW STATEMENT

Rif, note	€ thousand	31/12/2022	Of which related parties	31/12/2021	Of which related parties	Change
	Cash flow from operating activities					
	Profit before tax	**195,229**		**171,415**		**23,814**
6	Depreciation/amortisation and impairment losses	36,514		24,659		11,854
5-9	Revaluations/Impairment charges	11,801		3,361		8,440
22	Increase/(decrease) in provisions for liabilities	2,357		(1,179)		3,535
21	Net change in the provision for employee benefits	4,586		(1,506)		6,091
7-8-9	Net financial interest	(291,510)		(247,428)		(44,082)
	Income taxes paid	(91,135)		(112,634)		21,499
	Cash flow generated by operating activities before changes in working capital	**(132,158)**	**0**	**(163,310)**	**0**	**31,152**
20	Increase/Decrease in receivables included in current assets	(24,396)	(23,739)	(42,832)	21,558	18,436
24.b	Increase/Decrease in payables included in the working capital	16,368	(16,179)	3,566	0	12,801
	Change in working capital	**(8,028)**	**(39,918)**	**(39,266)**	**21,558**	**31,237**
	Change in other assets/liabilities during the period	70,672	0	63,617	0	7,056
	Total cash flow from operating activities	**(69,514)**	**(39,918)**	**(138,959)**	**21,558**	**69,445**
	CASH FLOW FROM INVESTMENT ACTIVITIES					
11-12	Purchase/(sale) of tangible fixed assets	(12,016)		(14,839)		2,822
13	Purchase/(sale) of intangible fixed assets	(58,807)		(23,437)		(35,370)
15-16	Equity investments	(5,239)		(129,765)		124,526
	Collections/(payments) deriving from other financial investments	(220,852)	246,644	(589,531)	582,025	368,679
	Dividends received	268,362	268,362	217,128	217,128	51,234
	Interest income received	92,955	0	94,200	0	(1,245)
	Total cash flow from investment activities	**64,404**	**515,006**	**(446,243)**	**799,153**	**510,646**
	CASH FLOW FROM FINANCING ACTIVITIES					
23	Repayment of mortgages and medium/long-term borrowings	(59,081)		(207,222)		148,141
23	Provision of mortgages/other medium/long-term loans	250,000	(12,970)	1,016,730	116,730	(766,730)
25.a	Decrease/Increase in other financial debts	(122,536)	112,524	(54,305)	(68,550)	(68,231)
	Interest expense paid	(70,988)		(63,831)		(7,157)
	Dividends paid	(133,904)	(133,904)	(83,137)	(83,137)	(50,767)
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**(136,509)**	**(34,350)**	**608,235**	**(34,956)**	**(744,744)**
	Net cash flow for the period	**(141,620)**	**480,656**	**23,033**	**764,197**	**(164,653)**
	Net opening balance of cash and cash equivalents	**441,538**		**418,505**		**23,033**
	Cash availability from acquisition	**0**		**0**		**0**
	Net closing balance of cash and cash equivalents	**299,918**		**441,538**		**(141,620)**

NOTES TO THE INCOME STATEMENT

REVENUES

1. Revenue from sales and services – € 191,611 thousand

Revenues from sales and services are as follows:

€ thousand	2022	2021	Change
Revenue from customer services	**49,593**	**32,375**	**17,217**
Public Lighting - Rome	49,585	32,368	17,217
Other revenue	7	7	0
Revenues from intragroup services	**142,019**	**127,750**	**14,269**
Intragroup service contracts	103,061	96,119	6,942
Other intragroup services	38,958	31,631	7,327
Revenue from sales and services	**191,611**	**160,125**	**31,486**

The increase in revenues from customer services of € 17,217 thousand is attributable to the rise in the consideration for the public lighting service performed in the Municipality of Rome. The increase can be traced to the increase in the fee for the electricity component, due to market trends, in part offset by the reduction in extraordinary maintenance and the creation of new plants. The extraordinary maintenance, modernisation and safety activities were carried on according to what was agreed with Roma Capitale.

Revenues from intragroup services recorded an overall increase of € 14,269 thousand. This change is due to a new contract taking effect for IT services rendered for Group companies (-€ 6,942 thousand) and the recognition of income relative to multi-year rights of use for licenses acquired or developed by Acea (+ € 8,024 thousand).

Please see the subsequent section on "Relations with Roma Capitale" for more information on the Public Lighting contract.

2. Other revenue and income – € 18,803 thousand

This item shows an increase of € 6,317 thousand compared to the value of 31 December 2021. The increase originated from the combined effect of several phenomena presented in the table below. The item "Other revenue" includes € 3,015 thousand in revenue from the recognition of tax credits linked to the increase in electricity and gas costs.

€ thousand	2022	2021	Change
Non-recurring gains	4,875	1,779	3,096
Other revenue	5,191	1,878	3,313
Refunds for damages, penalties, collateral	65	36	29
Regional grants	4	183	(179)
Seconded personnel	4,764	4,901	(138)
Real estate income	1,276	1,150	126
Recharged cost for company officers	2,629	2,559	70
Other revenue and proceeds	**18,803**	**12,486**	**6,317**

COSTS

3. Personnel costs – € 63,845 thousand

€ thousand	2022	2021	Change
Personnel costs including capitalised costs	71,132	68,526	2,606
Staff employed in projects	(747)	(4,159)	3,412
Costs capitalised for personnel	(6,540)	(2,504)	(4,035)
Staff costs	**63,845**	**61,862**	**1,983**

The change in personnel costs, including capitalised costs of € 2,606 thousand derives in part from the trend in average outstanding amounts, as also highlighted in the table below, as well as from contractual adjustments.
The cost of personnel is netted, not only of capitalised costs of € 6,540 thousand (+ € 4,035 thousand compared to 2021) but also of € 747 thousand (+ € 3,412 thousand compared to 31 December 2021) representing the total amount of personnel costs used in the IT projects for all group companies participating in the "communion" of the residual portion of the Template contract still in effect.

The following table shows the average and final number of employees by category, compared to the previous year.

	Average number of employees			End-of-period composition		
€ thousand	2022	2021	Change	2022	2021	Change
Senior executives	53	53	(1)	53	51	2
Middle managers	180	167	12	188	179	9
Clerical staff	464	463	0	461	452	9
Blue-collar workers	21	21	0	21	21	0
Total	**717**	**704**	**13**	**723**	**703**	**20**

4. Costs of materials and overheads – € 185,120 thousand

Compared to 31 December 2021, total external costs increased by € 31,663 thousand. The following is the composition and changes in external costs by nature.

€ thousand	2022	2021	Change
Materials	3,105	3,084	21
Services and contract work	161,352	139,596	21,756
Cost of leased assets	13,517	3,331	10,186
Other operating costs	7,145	7,445	(300)
Costs of materials and overhead	**185,120**	**153,457**	**31,663**

€ thousand	2022	2021	Change
Technical and administrative Services (including consulting and collaborations)	43,168	40,191	2,976
Contract work	9,877	9,123	754
Disposal and transport of sludge, slag, ash and waste	89	77	11
Other services	10,265	9,321	945
Personnel services	5,359	6,401	(1,042)
Insurance costs	1,650	1,047	603
Electricity, water and gas consumption	37,313	20,031	17,282
Intragroup services and otherwise	19,669	19,108	561
Telephone and data transmission costs	1,524	1,216	308
Postal expenses	568	647	(79)
Maintenance fees	10,172	10,616	(445)
Cleaning, transport and porterage costs	4,406	4,432	(26)
Advertising and sponsorship costs	6,765	7,368	(604)
Corporate bodies	978	991	(13)
Bank charges	1,321	1,120	201
Travel and accommodation expenses	306	143	163
Seconded personnel	7,851	7,645	206
Printing expenses	73	119	(46)
Services and contract work	**161,352**	**139,596**	**21,756**

€ thousand	2022	2021	Change
Rent charges	429	187	241
Other rentals and fees (use of third party assets)	13,089	3,143	9,945
Cost of leased assets	**13,517**	**3,331**	**10,186**

€ thousand	2022	2021	Change
Taxes and duties	2,035	2,124	(90)
Damages and outlays for legal disputes	161	242	(81)
Contributions paid and membership fees	2,197	2,517	(320)
General expenses	2,054	2,084	(31)
Contingent liabilities	700	478	222
Other operating costs	**7,145**	**7,445**	**(300)**

Relative to the € 31,663 thousand increase in external costs, the following contributed to the result:

- greater costs for consulting and administrative services for € 2,934 thousand, including strategic projects;
- increase in electricity consumption for € 17,282 thousand, of which € 15,350 thousand relative to the Roma Capitale Public Lighting Service. These increases can be traced to trends in energy market prices;
- lower costs for personnel services of € 1,042 thousand, due to the combined effect of lower management costs for the Piazzale Ostiense vaccine hub (-€ 1,794 thousand) and higher training costs (+€ 427 thousand);
- greater costs for user licenses for software applications for € 9,582 thousand.

Note that other leases and fees essentially refer to software licenses as well as various leases, including vehicles and other equipment not falling under the scope of IFRS16.

Please note that, pursuant to article 149-*duodecies* of the CONSOB Issuer Regulations, the fees accrued by the PwC Auditing Company are shown in the table below.

€ thousand	Audit -related services	Audit services	Non-audit services	Total
Acea SpA	**125**	**195**	**232**	**552**

Please note that the above fees refer to assignments for the year 2022 entrusted up to 31 December 2022.

5. Net write-downs (write-backs) of trade receivables – € 188 thousand

The balance of the account consists of the provisions set aside for the impairment of financial receivables from Sienergia and trade receivables due from Ecomed and Coema. Writedowns associated with third party customers total € 32 thousand.

6. Depreciation, amortisation and provisions – € 45,929 thousand

€ thousand	2022	2021	Change
Depreciation and amortisation	36,514	24,659	11,854
Provisions	9,415	5,285	4,130
Depreciation, amortisation and provisions	**45,929**	**29,944**	**15,985**

Amortisation and depreciation totalled € 36,514 thousand and refer for € 28,842 thousand to intangible assets, for € 7,691 thousand to property, plant and equipment and for € 4,981 thousand to the application of IFRS16. The increase in total amortisation and depreciation, equal to € 11,854 thousand, can be attributed for € 11,024 thousand to intangible assets. Of these, € 7,203 thousand refers to licenses and IT development granted for use to subsidiaries and associated companies based on the new contract which replaced the previous Template, with the remaining portion associated with IT projects which began operating between the end of the last year and the start of the current one, in addition to new development.

Allocations to the provision for risks amount to € 1,207 thousand, net of releases. The following are their composition by nature and their effects:

€ thousand	2022	2021	Change
Legal Risks provision	974	930	45
Fee risks provision	138	4	133
Tenders and supplies provision	111	17	94
Provisions for risks	**1,223**	**951**	**272**
Early retirements and redundancies provision	8,208	4,519	3,688
Expenses provision	**8,208**	**4,519**	**3,688**
Total Provisions	**9,431**	**5,470**	**3,961**
Release of risks provisions, release of fees provisions	(16)	(185)	169
Total	**9,415**	**5,285**	**4,130**

With respect to the previous year, an overall increase was seen in the provisioning, mainly due to greater allocations for early retirements and redundancies. The amount of provisioning for legal disputes remained substantially unchanged.
For further details, please see the information provided in the paragraph "*Update on major disputes and litigation*" in this document.

7. Financial income – € 89,303 thousand

€ thousand	2022	2021	Change
Interest on financial receivables	83,987	86,748	(2,761)
Bank interest income	251	34	218
Interest on other receivables	1,874	759	1,114
Financial income from discounting to present value	246	325	(79)
Other Income	2,946	2,525	421
Financial income	**89,303**	**90,390**	**(1,087)**

The € 1,087 thousand reduction in financial income is due to the combined effect of higher interest totalling € 1,114 thousand on short-term deposits and current accounts, offset by lower interest income on loans and revolving credit lines provided to group companies for € 2,761 thousand.

8. Financial costs – € 67,576 thousand

€ thousand	2022	2021	Change
Cross Currency Swap Expense (Income)	4,592	4,749	(157)
Interest on bonds	55,818	54,395	1,423
Interest on medium/long-term borrowings	7,740	1,477	6,262
Interest on short-term debt	176	248	(72)
Default interest and interest on deferred payments	206	25	181
Interest cost net of actuarial gains and losses	239	68	171
IFRS 16 financial charges	274	372	(98)
Other financial charges	223	31	191
Foreign exchange gains (losses)	(1,692)	(1,276)	(416)
Financial charges	**67,576**	**60,090**	**7,486**

The € 7,486 thousand increase in financial expense mainly derives from greater interest on bond loans (€ 1,423 thousand) and on medium/long-term loans (+ € 6,262 thousand), partially offset by exchange gains of € 1,726 thousand, relative to valuation of Acea International using the exchange rate. The change in interest on bond loans is due to greater interest on variable rate bond loans.
The change in interest on medium/long-term loans, totalling € 6,262 thousand, is due for € 3,024 thousand to the medium/long-term loan stipulated with Acea Energia and for € 2,793 thousand to medium/long-term loans. The change in the latter is due for € 1,865 thousand to new disbursements in 2022.

With reference to the average cost of Acea's debt, there was a decrease compared to the previous year, having risen from 1.17% in 2021 to 1.24% in 2022.

9. Income / Expenses from equity investments – € 258,169 thousand

Income net of equity investment expense comes to € 258,169 thousand, an increase of € 44,378 thousand (previously € 213,791 thousand at 31 December 2021). It is composed as summarised in the following table.

€ thousand	2022	2021	Change
Acea Ato2	70,805	60,830	9,975
Acque Blu Arno Basso	0	497	(497)
Acque Blu Fiorentine	4,774	10,912	(6,138)
Acea International	2,704	1,471	1,233
areti	125,362	117,242	8,120
Acea Energia	10,127	6,593	3,534
Acea Produzione	29,099	1,547	27,553
Aquaser	43	2,306	(2,263)
Intesa Aretina	0	162	(162)
Acea Ambiente	12,854	3,070	9,784
Ingegnerie Toscane	68	91	(23)
Acea Elabori	12,526	12,408	118
Ombrone	1,420	0	1,420
Dividends	**269,782**	**217,128**	**52,654**
Other income from equity investments	0	1,766	(1,766)
(Costs) of equity investments in subsidiaries and associated companies	(11,613)	(5,103)	(6,510)
Profit/(Loss) on equity investments	**258,169**	**213,791**	**44,378**

The change can be attributed to greater dividends from investees, offset by greater costs for impairment, specifically € 7,585 thousand for the equity investment in Acea Ato5 and € 4,028 thousand for that in Umbriadue. Please see that found in the item Equity investments in subsidiaries and associates.

10. Income taxes – -€ 11,506 thousand

Total taxes amount to -€ 11,506 thousand (€ 5,625 thousand at 31 December 2021). In particular, the tax calculation is affected by the tax law applicable to the tax treatment of the collected dividends, the provisions for the provision for risks, as well as the deductibility of the interest expense of Acea for the Group tax consolidation. Income taxes for the year have an impact on the pre-tax result of 5.89%.
The balance consists of the algebraic sum of the following items.

Current taxes

Current taxes amounted to € 89,026 thousand (€ 92,691 thousand as at 31 December 2021) and refer to consolidated IRES calculated on the sum of taxable income and tax losses of the companies consolidated on a tax basis and IRAP.
It should be noted that this effect is cancelled by the recognition of income deriving from the attribution of the taxable income of the companies participating in the tax consolidation.
This effect is summarised in the table below what shows the reconciliation between the theoretical and actual rates.

Deferred taxes

Net deferred tax assets decreased taxes by € 1,182 thousand (€ 809 thousand at 31 December 2021) and consisted of the algebraic sum of provisions (€ 4,468 thousand) mainly on the provision for risks, the allowance for doubtful receivables, depreciation and amortisation, as well as provisions for defined benefit plans and utilisations (€ 3,286 thousand). Deferred tax liabilities increased by € 1,238 thousand and relate only to provisions.

Charges and income from tax consolidation

These amount to € 100,588 thousand (€ 99,067 thousand as at 31 December 2021) and represent the positive balance between the tax charges that the Parent Company has towards tax consolidation companies against the transfer of tax losses (€ 5,033 thousand) and the tax income recorded as a counterpart of the taxable income transferred to the consolidated company (€ 105,621 thousand).
The compensation for the loss, as per the general consolidation regulation, is determined by applying the current IRES rate to the amount of the tax loss transferred.

The table below shows the reconciliation between the theoretical and actual tax rates.

	2022	%	2021	%
Pre-tax result of continuing operations	**195,229**		**171,415**	
Expected tax charge at 24% on profit before tax	46,855	24.00%	41,140	24.00%
Permanent differences *	(58,259)	(29.84%)	(46,764)	(27.28%)
IRES for the period	(11,506)	(5.89%)	(5,625)	(3.28%)
IRAP for the period	0	0.00%	0	0.00%
Taxes on the operating income of continuing operations	**(11,506)**	**(5.89%)**	**(5,625)**	**(3.28%)**

* They mainly include the taxed portion of dividends.

NOTES TO THE BALANCE SHEET - ASSETS

NON-CURRENT ASSETS – € 5,839,796,772

11. Tangible fixed assets – € 114,345 thousand

This item shows an increase of € 4,347 thousand compared to the value of 31 December 2021. The change mainly refers to the net effect caused by investments, totalling € 12,016 thousand, and depreciation which amounted to € 7,633 thousand.

Investments during the period include the Telecontrol devices of the public lighting network in Rome, created by Acea at the request of Roma Capitale in fulfilment of the service contract.
The other investments mainly relate to extraordinary maintenance on the offices used for business activities, including the sport club, in addition to the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network.

The table below summarises the changes occurred in the year.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Total property, plant and equipment
Initial historic cost	**105,898**	**38,854**	**13,865**	**64,047**	**3,551**	**226,215**
Investments/Acquisitions	660	2,923	0	714	7,720	12,016
Divestments/Disposals	(9)	(22)	0	(5)	0	(36)
Other changes	0	54	0	67	(122)	(1)
Final historic cost	**106,549**	**41,810**	**13,865**	**64,823**	**11,148**	**238,194**
Initial provision for amortisation/ depreciation	**(26,667)**	**(21,767)**	**(13,340)**	**(54,443)**	**0**	**(116,217)**
Depreciation/amortisation and impairment losses	(1,996)	(3,195)	(236)	(2,206)	0	(7,633)
Divestments/Disposals	0	0	0	0	0	0
Final provision for amortisation/depreciation	**(28,662)**	**(24,962)**	**(13,576)**	**(56,649)**	**0**	**(123,849)**
Net closing balance	**77,886**	**16,848**	**289**	**8,174**	**11,148**	**114,345**

12. Real estate investments – € 2,256 thousand

These amount to € 2,256 thousand, recording a reduction of € 58 thousand due to the depreciation of the year and consist mainly of land and buildings not used for production and held for rental purposes.

13. Intangible fixed assets – € 92,197 thousand

The change, a total of € 42,172 thousand, mainly refers to the net effect between investments, € 58,807 thousand, and amortisation which amounted to € 23,842 thousand.

Investments mainly concerned the purchase and development of software to support the development of systems for managing IT platforms, corporate security and administrative management. Note that € 40,043 thousand refers to IT licenses and development granted for use to subsidiaries and associates based on the new contract that replaced the previous "communion" Template. As part of this operation, note that other changes includes € 8,277 thousand to repurchase portions of licenses following the termination of the "communion" regime, with only a residual portion still operating. Please see that found in the "Related Party Disclosure".

Below is a summary of the changes occurred during the period:

€ thousand	Patent rights	Investments in progress	Total intangible fixed assets
Net opening balance	44,591	5,434	50,025
Investments/acquisitions	53,952	4,854	58,807
Divestments/disposals	(495)	(640)	(1,135)
Other changes	11,080	(2,738)	8,342
Depreciation and amortisation	(23,842)	0	(23,842)
Net closing balance	**85,287**	**6,910**	**92,197**

14. Right of use – € 8,470 thousand

This item includes rights to use the assets of others which, as of 1 January 2019, are recognised as leased assets and amortised over the duration of the contracts, after application of the new international standard IFRS16. At 31 December 2022 the net book value of these assets was € 8,470 thousand.

€ thousand	31/12/2022	31/12/2021	Change
Land and buildings	7,165	12,571	(5,405)
Cars and motor vehicles	1,304	1,148	157
Other	0	(5)	5
Total	**8,470**	**13,713**	**(5,244)**

The table below shows the changes during the year:

€ thousand	Land and buildings	Cars and motor vehicles	Other	Total
Opening balance	**12,571**	**1,148**	**(5)**	**13,713**
New contracts	281	869	198	1,349
Remeasurement	(1,618)	0	(187)	(1,806)
Reclassifications/Other changes	104	67	24	194
Depreciation	(4,172)	(780)	(29)	(4,981)
Total	**7,165**	**1,304**	**0**	**8,470**

There are also no guarantees on residual value, variable payments and leases not yet signed to which Acea has committed itself for a significant amount.
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.

15. Investments in subsidiaries and associates – € 2,059,277 thousand

An increase of € 91,666 thousand was seen with respect to 31 December 2021, as follows:

€ thousand	31/12/2022	31/12/2021	Change
Shares held in subsidiaries	2,033,815	1,944,626	89,189
Shares held in associates	25,461	22,984	2,477
Equity Investments in subsidiaries and associates	**2,059,277**	**1,967,611**	**91,666**

Investments in subsidiaries

Changes for 2022 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2021	**3,345,940**	**(374,890)**	**(64,955)**	**(961,469)**	**1,944,626**
2022 changes:					
- changes in share capital	99,076	0	0	0	99,076
- acquisitions/formations	0	0	0	0	0
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(9,887)	0	(9,887)
Total changes in 2022	**99,076**	**0**	**(9,887)**	**0**	**89,189**
Values at 31 December 2022	**3,445,017**	**(374,890)**	**(74,842)**	**(961,469)**	**2,033,815**

The changes occurred involve:

- € 99,076 thousand is related to the following operations;
  - i) € 96,338 thousand refers to recapitalisation through the establishment of an equity reserve to cover losses for the year through remission of Acea Ato5 trade and financial receivables;
  - ii) € 2,739 thousand refers to the share capital increase for Adistribuzionegas;

- -€ 9,887 thousand is related to the following operations:
  i) -€ 7,585 thousand is related to the write-down of the equity investment in Acea Ato5;
  ii) -€ 4,028 thousand refers to the impairment of the equity investment in Umbriadue following the signing of the first share capital increase for ASM Terni with a value of € 471 thousand, by transferring the units representing the equity investment in Umbriadue;
  iii) € 1,726 thousand refers to the adjustment made to the exchange rate for the equity investment in Acea International SA.

For purposes of verifying the recoverable value of investments, the impairment test was carried out, pursuant to IAS 36, substantially on all its direct and indirect subsidiaries.

Below is the methodology used, as well as comments on the results of the sensitivity and impairment tests carried out. The impairment procedure for equity investments compares the carrying amount of the investment with its recoverable value, identified as the higher of value in use and fair value, net of selling costs.
The value in use represents the present value of expected cash flows that are expected to derive from the continuous use of all assets relating to the investment. The fair value, net of sales costs, represents the amount obtainable from the sale in a free transaction between knowledgeable and willing parties.

The 2022 impairment process provides the estimate of an interval relative to the recoverable value of individual investments in terms of value in use in methodological continuity with respect to the previous year, or through the financial method that recognises the ability to generate cash flows the essential element for assessing the reference entity. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital (WACC) is used. The estimate of the recoverable value of the equity investments is hence expressed in terms of value in use.
The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each equity investment 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 when necessary, to take into account regulatory developments and events occurring 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, Adistribuzionegas, Acea Molise, Ecogena, Energia, Meg and the plants of Monterotondo (Acea Ambiente), Tor di Valle (Acea Produzione) and Porta di Roma (Ecogena).

It should also be noted that as a result 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 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 OTAA 5 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/R/idr), 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 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 new 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/idr), 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 that 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.

€ thousand	Cost efficiency hypotheses (not pass through) vs. base 2022								
	0.0	1.0	2.0	3.0	4.0	4.4	5.0	6.0	7.0
Cmor recognition hypotheses 3%	-53.5	-49.9	-46.3	-42.7	-39.1	-37.7	-35.6	-32.0	-28.4
Cmor recognition hypotheses 7.1%	-37.4	-33.8	-30.2	-26.6	-23.0	-21.6	-19.5	-15.9	-12.3
Cmor recognition hypotheses equal to real unpaid *	-23.3	-19.8	-16.2	-12.6	-9.0	-7.6	-5.4	-1.9	1.7

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

Shares held in affiliate companies

These amounted to € 25,461 thousand and changed in 2022 for:

- € 2,565 thousand following the establishment of the DropMI joint venture by Acea and Suez International SAS which will research, engineer and develop water metres and more generally, smart water solutions for the domestic and international water markets;
- - € 37 thousand adjustment to the exchange rate of the company Aguazul Bogotà.

The changes occurred during the year are shown in the table below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2021	**96,135**	**13,600**	**(80,889)**	**(5,861)**	**22,984**
2022 changes:					
- changes in share capital	0	0	0	0	0
- acquisitions/formations	2,565	0	0	0	2,565
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	(51)	0	0	(51)
- write-downs/write-ups	0	0	(37)	0	(37)
Total changes in 2022	**2,565**	**(51)**	**(37)**	**0**	**2,477**
Values at 31 December 2022	**98,700**	**13,549**	**(80,926)**	**(5,861)**	**25,461**

16. Other equity investments – € 2,350 thousand

Other equity investments refer to investments in equity securities that do not constitute control, association or joint control. They remained unchanged during 2022.

17. Deferred tax assets – € 13,453 thousand

These decreased by € 2,483 thousand compared to 31 December 2021. The following table shows the changes and the balance as at 31 December 2022, distinguishing the Assets for Prepaid Taxes from the Provision for Deferred Taxes.

With regard to the recoverability of deferred tax assets, it must be noted that the valuation of deferred tax assets was carried out on the basis of Acea's business plans and, with regard to the time scale, considering a reasonable estimate of the reversal period.

€ thousand	31/12/2021	Changes in the period IRES/ IRAP uses	Changes in SE	IRES/IRAP advances	31/12/2022
Prepaid taxes					
Remuneration of BoD members	15	0		6	21
Provision for liabilities and charges	3,900	(2,167)	0	2,789	4,522
Provision for doubtful accounts	14,526	(414)	0	805	14,916
Depreciation and amortisation of tangible and intangible assets	496	(75)	0	349	771
Defined benefit plans/defined contribution	3,871	(562)	964	518	4,791
Others	6,221	(68)	(908)	0	5,245
Total	**29,029**	**(3,286)**	**0**	**4,468**	**30,267**
Deferred taxes			**56**		
Deferred taxes on dividends	18	0	0	17	35
Depreciation and amortisation of tangible and intangible assets	145	0	0	39	185
Defined benefit plans/defined contribution	179	0	0	0	179
Others	12,749	0	2,484	1,182	16,415
Total	**13,092**	**0**	**2,484**	**1,238**	**16,814**
Net total	**15,937**	**(3,286)**	**(2,484)**	**3,230**	**13,453**

18. Non-current financial assets – € 3,547,241 thousand

These saw an increase of € 165,531 thousand compared to 31 December 2021 (then € 3,381,711 thousand).
Below is the detailed table:

€ thousand	31/12/2022	31/12/2021	Change
Financial receivables from Roma Capitale	4,815	8,286	(3,471)
Receivables from subsidiaries and associates for loans	3,533,224	3,361,891	171,333
Other receivables due from others	9,202	11,534	(2,332)
Financial assets	**3,547,241**	**3,381,711**	**165,531**

The item **Financial receivables from Roma Capitale** shows a decrease of € 3,471 thousand and refers to investments in the public lighting service, such as plant redevelopment, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond the year 2023, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

Financial receivables from subsidiaries and associates increased by € 171,333 thousand compared to 31 December 2021.

During 2022, note:

- the decrease in the long-term portion of the Acea Ato5 loan, equal to € 33,831 thousand, due for € 25,000 thousand to its remission as a consequence of the recapitalisation of the Company with the establishment of an equity reserve to cover losses for the year;
- the shareholders loan to Acea Molise was reclassified to the long-term, for a total of € 4,870 thousand, given that an extension on the repayment due date was granted to the same;
- the shareholders loan granted to TWS was repaid in advance, equal to € 4,000 thousand.

These receivables are considered entirely recoverable.

€ thousand	31/12/2022	31/12/2021	Change
Receivables for centralised treasury relationships, non-current portion	3,354,512	3,149,951	204,561
Receivables for medium/long-term loans	178,712	211,940	(33,228)
Acea Ato5	153,912	187,742	(33,831)
Acea Molise	4,870	0	4,870
Ecomed	33	33	0
Technologies for Water Service	0	4,000	(4,000)
Umbriadue Servizi Idrici	19,897	20,165	(268)
Receivables from subsidiaries and associates for loans	**3,533,224**	**3,361,891**	**171,333**

The item **Receivables from others**, amounting to € 9,202 thousand, is composed of € 8,202 thousand from the application of the financial asset model envisaged by IFRIC 12 regarding services under concession. This receivable represents all the investments made up to 31 December 2010 related to the service itself. The item includes € 654 thousand relative to non-current prepaid expenses for up front fees relative to committed lines.

19. Other non-current assets – € 208 thousand

This item includes prepaid expenses relative to the long-term portion of user licenses and maintenance fees for IT infrastructure, pertaining to subsequent years.

20. Current assets – € 1,178,416 thousand

These recorded a decrease of € 139,620 thousand (€ 1,317,763 thousand as at 31 December 2021) and are broken down as follows.

20.a - Trade receivables – € 149,229 thousand

These saw a decrease of € 30,131 thousand compared to 31 December 2021 (then € 179,359 thousand). Below is their composition:

€ thousand	31/12/2021	31/12/2020	Change
Trade receivables	1,239	544	695
Receivables due from the Parent Company Roma Capitale	21	30	(9)
Receivables from subsidiaries and associates	147,969	178,785	(30,816)
Trade receivables	**149,229**	**179,359**	**(30,131)**

Trade receivables

These amounted to € 1,239 thousand net of the allowance for doubtful receivables amounting to € 2,156 thousand and increased by € 695 thousand.
Receivables included under this item refer to positions accrued in respect of private and public entities for services rendered.

Provision for doubtful debts

These totalled € 2,156 thousand, up by € 32 thousand compared to 31 December 2021. The estimate of the amounts considered non-collectable is estimated based on the provisions of IFRS9, or, through the application of the expected credit loss model for the evaluation of the recoverability of the financial assets based on a predictive approach, based on the prediction of the counterparty's default (so-called probability of default) and of the ability to recover if the default event occurs (so-called loss given default).

Receivables due from the parent company - Roma Capitale

The following table shows together the amounts resulting from the relations with Roma Capitale, both with regard to the borrowing and lending due within and beyond the following year, including items of a financial nature.

€ thousand	31/12/2022	31/12/2021	Change
Receivables for services invoiced	5	5	0
Receivables for services to be invoiced	16	25	(9)
Total trade receivables	**21**	**30**	**(9)**
Financial receivables for Public Lighting services billed	135,127	117,133	17,994
Provision for doubtful debts	(57,994)	(28,298)	(29,696)
Financial receivables for Public Lighting services to be billed	36,274	48,981	(12,707)
Provision for doubtful debts	(5,380)	(30,152)	24,772
M/L term financial receivables for Public Lighting services	4,815	8,286	(3,471)
Total financial receivables for Public Lighting	**112,842**	**115,949**	**(3,108)**
Total receivables	**112,862**	**115,979**	**(3,117)**
Dividend payables	(105,942)	(116,220)	10,277
Other payables	(2,707)	(1,895)	(812)
Total payables	**(108,649)**	**(118,114)**	**9,466**
Total net balance receivables payables	**4,214**	**(2,135)**	**6,349**

As regards **relations with Roma Capitale**, the net balance at 31 December 2022 was € 4,214 thousand receivable by the Group (at 31 December 2021 the amount was a payable of € 2,135 thousand).

Trade and financial receivables recorded an overall decrease of € 3,117 thousand compared to the previous year, mainly due to accrual in the period and collections/compensations.

The main changes are listed below:
- higher receivables referable to the Public Lighting service for € 53,408 thousand;
- in April, receivables relative to work carried out for the public lighting service of € 3,636 thousand were offset with Acea stock dividends relative to the year 2019;
- in May, receivables relative to fees for the last quarter of 2021 for public lighting of € 7,424 thousand were offset with Acea

stock dividends relative to the year 2019;
- in July and August, receivables relative to fees for September 2021 and the first quarter of 2022, as well as for work again linked to the public lighting service, totalling € 15,335 thousand, were offset with Acea stock dividends relative to the year 2019;
- in September, receivables relative to fees for public lighting in 2022 of € 9,096 thousand were offset with Acea stock dividends relative to the years 2019 and 2020;
- in November, receivables relative to modernisation and extraordinary maintenance in 2021 for the public lighting network of € 10,242 thousand were offset with Acea stock dividends relative to the year 2020;
- in December, receivables relative to fees for the third quarter of 2022 for the public lighting service of € 10,780 thousand were offset with Acea stock dividends relative to the year 2020.

Financial payables due to Roma Capitale decreased by a total of € 10,277 thousand due to the combined effect of offsets/payments for € 56,572 thousand plus the recognition of the new residual debt for Acea's stock dividends for the year 2021 for € 46,160 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. 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.

At the end of 2020, relative to the public lighting contract, AGCM indicated the direct entrusting of the service was legitimate, and audits, work and joint investigations of the same are in progress. Additionally, among other things the provision gave rise to the audit 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. Therefore, also during 2021, while awaiting the conclusion and finalisation of these aspects, Acea regularly continued to provide the Public Lighting service. The service was hence invoiced and has in part already been paid by Roma Capitale. During 2022, reconciliation activities continued, based on which Roma Capitale liquidated receivables due to Acea again through offsetting for a total of € 56,516 thousand, of which € 17,389 thousand relative to receivables already recognised in previous years.
We can 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.

As of the reporting date of these financial statements, Roma Capitale still needs to liquidate most of the receivables underlying the Technical Report.

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

Receivables from subsidiaries and associates
Receivables from subsidiaries and associates total € 147,969 thousand and fell by € 30,816 thousand compared to the previous year. These mainly refer to services rendered in the context of various services contracts. The difference is due to invoicing and collection trends. Below is their composition:

€ thousand	31/12/2022	31/12/2021	Change
Acea Ato2	32,833	26,329	6,504
Acea Ato5	5,552	54,404	(48,853)
areti	28,327	30,161	(1,834)
Acea Energia	19,062	16,580	2,482
Acea Produzione	3,154	4,114	(960)
Gesesa	8,760	7,847	913
GORI	6,403	2,606	3,798
Acea Molise	8,063	6,647	1,416
Acea Elabori SpA	2,987	4,446	(1,460)
Sarnese Vesuviano	789	813	(24)
Acea Ambiente	6,294	5,719	574
Acea Dominicana	72	72	0
Aquaser	142	(180)	322
Acque Industriali	921	1,452	(531)
Umbriadue Servizi Idrici	716	625	91
Ecogena	83	82	1
Acea International	18	18	0
Acea Innovation	552	496	56
Acquedotto del Fiora	7,500	5,892	1,608
Acea Perù	135	135	0
Acea Liq. and Lit.	48	(1)	49
Publiacqua	4,878	3,946	932
Umbra Acque	4,192	2,670	1,522
Acque	2,893	1,573	1,320
Ingegnerie Toscane	417	358	59
Geal	18	3	14
Coema	137	205	(68)
Integrated Water Service	298	119	179
Marco Polo	1,236	1,236	0
Other	1,490	416	1,073
Total	**147,969**	**178,785**	**(30,816)**

20.b - Other current assets – € 52,764 thousand

These recorded an increase of € 18,521 thousand and are made up as follows.

€ thousand	31/12/2022	31/12/2021	Change
Receivables due to the transferee Area Laurentina	0	6,446	(6,446)
Other receivables	238	219	18
Receivables from national insurance institutions	324	289	35
Receivables due to severance pay for individual transfers	1,952	1,945	7
Advances to suppliers and deposits with third parties	298	239	59
Other tax receivables	25,271	8,823	16,448
Accrued income and prepaid expenses	7,144	5,543	1,600
Tax consolidation receivables due from subsidiaries	17,539	10,739	6,800
Other current assets	**52,764**	**34,243**	**18,521**

The change mainly derives from greater VAT receivables equal to € 15,330 thousand and tax consolidation of € 6,800 thousand, off-set by the collection of the receivable due from Milano '90 for the via Laurentina area from the third party garnishee in the amount of € 6,446 thousand (for more information, please see the disclosure found in the section on the main legal disputes).
Receivables from national insurance institutions and for severance indemnities (TFR) for individual terminations include receivables

generated by the return of Marco Polo to the facility management sector for amounts due to employees. Accrued income and prepaid expenses mainly include the portion of user licences accruing to subsequent years, fees for IT infrastructure maintenance and IT services, insurance contracts and insurance premiums.

20.c - Current tax assets – € 9,222 thousand

The item increased by € 3,458 thousand, mainly due to higher IRES receivables for advances paid.

€ thousand	31/12/2022	31/12/2021	Change
IRAP receivables	31	31	0
IRES receivables	9,191	5,733	3,458
Current tax assets	**9,222**	**5,764**	**3,458**

20.d - Current financial assets – € 667,283 thousand

These recorded an increase of € 10,424 thousand and can be broken down as follows. From this year non-current financial assets include the portion of current accounts related to revolving loan lines destined by the subsidiaries to non-current assets. The data of 2020 have therefore been made pro-forma for a better representation.

€ thousand	31/12/2022	31/12/2021	Change
Financial receivables from the Parent Company Roma Capitale	108,026	107,664	363
Financial receivables from subsidiaries and associates	364,120	274,381	89,739
Financial receivables from third parties	195,137	274,814	(79,677)
Total current financial assets	**667,283**	**656,858**	**10,424**

Receivables from parent companies - Roma Capitale

These amount to a total of € 108,026 thousand and refer to receivables due from Roma Capitale relating to the Public Lighting Service Contract as anticipated in the section of this document "Trade receivables from Roma Capitale".

Receivables from subsidiaries and associates

These amount to € 364,120 thousand (€ 274,381 thousand at 31 December 2021) and are composed as follows:

€ thousand	31/12/2022	31/12/2021	Change
Receivables from cash pooling relationships	246,125	155,532	90,594
Accrued current financial assets on loans and cash pooling relationships	84,762	94,577	(9,815)
Receivables from subsidiaries for loans	27,816	20,320	7,496
Other receivables from subsidiaries	2,906	1,486	1,420
Receivables for commissions on guarantees given	2,510	2,466	44
Financial receivables from subsidiaries and associates	**364,120**	**274,381**	**89,739**

The change with respect to the end of the previous year is mainly due to the decrease in the current portion of balances in the current accounts with group companies which adhered to a revolving type loan, covering working capital and investment requirements and due to the reduction in associated accrued income, mainly due to the reduction in interest rates.
An increase was recorded in receivables from subsidiaries for loans of € 7,496 thousand due for € 4,870 thousand to the reclassification to short-term of shareholders loans to Acea Molise expiring on 31 January 2022.

Receivables from others

These amounted to a total of € 195,137 thousand and decreased compared to 31 December 2021 by € 79,677 thousand owing to the decrease in short-term deposits which went up from € 270,000 thousand to € 190,000 thousand.

€ thousand	31/12/2022	31/12/2021	Change
Receivables for managing the Public Lighting service	3,181	3,775	(594)
Receivables on short-term deposits	190,000	270,000	(80,000)
Financial accrued income	1,080	765	315
Receivables from SEIN from Liquidation of Acea Ato5 Servizi	274	274	0
Other receivables	602	0	602
Financial receivables from third parties	**195,137**	**274,814**	**(79,677)**

20.e - Cash and cash equivalents – € 299,918 thousand

These recorded a decrease of € 141,620 thousand (€ 441,538 as at 31 December 2021) and represent the balance of bank and postal current accounts opened at the various credit institutions as well as at Ente Poste.

NOTES TO THE BALANCE SHEET – LIABILITIES

21. SHAREHOLDERS' EQUITY – € 1,690,653 THOUSAND

€ thousand	31/12/2022	31/12/2021	Change
Share capital	1,098,899	1,098,899	0
Legal reserve	147,501	138,649	8,852
Reserve for own shares	0	0	0
Other reserves	91,954	83,510	8,444
Retained earnings/(losses)	145,564	158,042	(12,478)
Profit (loss) for the year	206,735	177,040	29,695
Shareholders' Equity	**1,690,653**	**1,656,139**	**34,513**

Shareholders' equity increased by € 34,513 thousand compared to 31 December 2021. This change is mainly due to the profit reported in the year and to the effects generated by the allocation of the result achieved in 2021 equal to € 0.85 per share, as well as the changes in other reserves.

The composition and changes per item are shown below:

21.a - Share capital – € 1,098,899 thousand

This amounts to € 1,098,899 thousand and is 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 for a total nominal value of € 560,434 thousand,
- Market: 103,936,757 shares for a total par value of € 536,314 thousand.
- Treasury Shares: 416,993 ordinary shares with a total nominal value of € 2,151 thousand.

21.b - Legal reserve – € 147,501 thousand

It includes 5% of the profits of the previous financial years as required by article 2430 of the Italian Civil Code.
At 31 December 2022 there was an increase of € 8,852 thousand compared to the previous year, due to the allocation of profit achieved in 2021.

21.c - Other reserves – € 91,954 thousand

The composition of the Item and the changes for the period are provided below:

€ thousand	31/12/2022	31/12/2021	Change
Extraordinary reserve	180	180	0
Demerged capital gains reserve	102,567	102,567	0
Reserve for exchange differences	17,262	9,397	7,865
Valuation reserve for financial instruments	(16,225)	(19,099)	2,874
Reserve for actuarial gains and losses	(12,029)	(9,734)	(2,295)
Other miscellaneous reserves	198	198	0
Other reserves	**91,954**	**83,510**	**8,444**

The reserve for differences in exchange records an increase of € 7,865 thousand and represents the effect of the valuation at the exchange rate on 31 December 2022 of the private placement in YEN stipulated in 2010.

The cash flow hedge reserve is negative and stands at € 16,225 thousand. This reserve includes € 3,333 thousand for the negative difference deriving from the delta of conversion rates between that provided for in the hedging contract and that recorded on the adjustment date of the bond (3 March 2010).

The table below shows available and unavailable reserves.

	31/12/2022				
				Summary of use made in the previous three years	
€ thousand	Amount	Possibility of use	Distributable portion	Loss coverage	Other reasons
Capital reserves					
Reserve deriving from the ARSE spin-off	6,569	A, B, C	6,569		
Profit reserves from the Income Statement					
Legal reserve	147,501	A, B	147,501		
Extraordinary reserve	180	A, B, C	180		
Demerged capital gains reserve	102,567	A, B, C	102,567		
Retained earnings/(losses)	145,564	A, B, C	145,564		13,643
Profit reserves from O.C.I.					
Valuation reserve for financial instruments	(16,225)		(16,225)		
Reserve for exchange differences	17,262		17,262		
Reserve for actuarial gains and losses	(12,029)		(12,029)		
Other reserves					
Greater cost paid, intragroup acquisitions	(5,652)		(5,652)		
IAS reserve	(719)		(719)		
Reserve for own shares	3,853	Guarantee of treasury shares	3,853		
Total	**388,872**		**388,872**		
Non-distributable share			133,991		
Residual distributable portion			254,881		

Key: A = *capital increase* – B = *to cover losses* – C = *distribution to shareholders*

Reserve for own shares

Pursuant to art. 2428 of the Italian Civil Code, there are 416,993 treasury shares in the portfolio, with a nominal value of € 5.16 each (€ 2,152 thousand in total) and correspond to 0.196% of the share capital.

The reserve for treasury shares in portfolio amounted to € 3,853 thousand at 31 December 2022. The amount of the reserve coincides with the value of shares in the portfolio accounted for as a reduction of the Shareholders' Equity in accordance with IAS32.

CURRENT LIABILITIES – € 851,804,782 THOUSAND

22. Employee severance indemnity and other defined benefit plans – € 21,901 thousand

It increased by € 1,566 thousand and reflects severance indemnities and other benefits to be paid subsequently to the performance of the work activity to employees. Within the obligations that make up this item, we need to highlight the defined contribution plans and defined benefit plans. The following table shows the composition:

€ thousand	31/12/2022	31/12/2021	Change
- Employee severance indemnities (TFR)	4,577	5,863	(1,286)
- Pegaso Fund	0	0	0
Employee severance indemnity	**4,577**	**5,863**	**(1,286)**
- Extra months	1,015	1,332	(317)
Extra months	**1,015**	**1,332**	**(317)**
- LTIP plans	1,736	858	877
Long-Term Incentive Plans (LTIP)	**1,736**	**858**	**877**
Benefits due at the time of termination of employment	**7,327**	**8,053**	**(726)**
- Employees tariff subsidy	868	1,107	(239)
- Managers tariff subsidy	90	96	(6)
- Pensioners tariff subsidy	10,299	7,363	2,937
Tariff subsidies	**11,257**	**8,566**	**2,691**
Post-employment benefits	**11,257**	**8,566**	**2,691**
- Isopensione fund	3,316	3,715	(399)
Isopensione (early retirement)	**3,316**	**3,715**	**(399)**
Staff termination benefits and other defined benefit plans	**21,901**	**20,334**	**1,566**

With regard to the calculation method, it must be noted that the benefits due at the time of termination of the employment relationship are determined according to actuarial criteria; with reference to post-employment benefits, the calculation is based on the "projected unit credit method" which is based on assessments that express corporate liability as the current average value of future benefits, pro rated based on the service provided by the employee at the time calculation with respect to that corresponding at the time of payment of the service.
The change is affected **i)** by the provisions for the period, **ii)** by the outflows that occurred during the period and **iii)** by the decrease in the rate used for the valuation of the liabilities.
In particular, with regard to the economic-financial scenario, the discounting rate used for the valuation was of 4.00% against a rate used last year of 1.00%.
As required by paragraph 78 of IAS 19, the interest rate used to determine the current value of the obligation was determined with reference to the yield on the valuation date of securities of primary companies in the financial market to which Acea belongs and to the return on outstanding government bonds on the same date with a duration comparable to the residual duration of the collective of workers analysed; it must be noted that, due to internal consistency of assessment and alignment with the requirements of IAS 19, the same technical bases have been maintained for the various types of plans.

Furthermore, the parameters used for the evaluation are shown below:

	31/12/2022	31/12/2021
Discount Rate	3.95%	1.00%
Revenue growth rate (average)	2.67%	1.59%
Long-term inflation	2.50%	1.75%

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.

	Discount Rate	
Plan type - € thousand	**-0.5%**	**+0.5%**
Employee severance indemnities (TFR)	(177)	188
Tariff subsidies	(335)	353
Extra months	(39)	42
LTIP	(13)	13

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

Plan type - € thousand	-1 year of age
Employee severance indemnities (TFR)	43
Tariff subsidies	(548)
Extra months	75

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

23. Provision for risks and charges – € 17,381 thousand

The table below details the composition by nature and the changes compared to the end of the previous year:

€ million	31/12/2021	Uses	Provisions	Release for Excess Provisions	Reclassifications/ Other changes	31/12/2022
Legal	2,701	(539)	974	0	0	3,136
Investees	5,570	0	0	0	(51)	5,520
Contributory risks	738	(130)	138	(16)	0	730
Other risks and charges	930	0	111	0	0	1,041
Total provision for risks	**9,939**	**(669)**	**1,223**	**(16)**	**(51)**	**10,427**
Early retirements and redundancies	5,085	(6,339)	8,208	0	0	6,954
Total provisions for expenses	**5,085**	**(6,339)**	**8,208**	**0**	**0**	**6,954**
Total provisions for risks and charges	**15,024**	**(7,008)**	**9,431**	**(16)**	**(51)**	**17,381**

The main changes concerned:

- the provisions for risks associated with legal disputes utilised for € 539 thousand owing to unfavourable judgements. Further provisions were also set aside during the year for € 974 thousand;
- the provision set aside for redundancy and mobility plans used for € 6,339 thousand as the relevant procedures have been completed. Additionally, € 8,208 thousand was set aside for the same plan, including future isopension retirement plans.

For further details, see the information provided in the section "*Update on major disputes and litigation*".

24. Non-current borrowings and financial liabilities - € 4,404,759 thousand

The breakdown is as follows:

€ thousand	31/12/2022	31/12/2021	Change
Bonds	3,834,453	4,141,952	(307,500)
Medium/long-term borrowings	462,202	250,816	211,385
Medium/long-term borrowings from subsidiaries	103,760	116,730	(12,970)
IFRS 16 financial payables	4,344	9,089	(4,745)
Borrowings and financial liabilities	**4,404,759**	**4,518,588**	**(113,829)**

Medium and long-term bonds

Bonds amounted to € 3,834,453 thousand (€ 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 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 the end of 2022 stood at € 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 in 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 contract) 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 year amounted to € 1,436 thousand.

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

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
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
Total	**4,109,770**	**18,015**	**23,633**	**4,151,418**

* Including amortised cost.
** Including deferrals on hedging instruments.

Medium/long-term borrowings

These amount to € 462,202 thousand and show a total increase of € 211,385 thousand and represent the payable for the portion of the instalments not yet repaid at 31 December 2022 and expiring beyond twelve months. The increase mainly refers to the disbursement of the new EIB loan in two tranches, equal to € 250,000, with value date of 13 June 2022.

The main mortgages, whose values as at 31 December 2022 are shown below <u>including the short-term portions</u> amount to a total of € 501,460 thousand and are described below:

- loan stipulated on 25 August 2008 for an amount of € 200,000 thousand for the investment plan in the water sector (Acea Ato2) with a duration of 15 years. At 31 December 2022 this loan amounted to € 7,509 thousand and is internally allocated to the short-term position. The first tranche of € 150,000 thousand was disbursed in August 2008 and the interest rate is equal to the 6-month Euribor plus a spread of 7.8 basis points. In 2009, a second tranche was disbursed for an amount of € 50,000 thousand, which provides for an interest rate equal to the 6-month Euribor plus a spread of 0.646%, with a maturity of 15 June 2019. The latter was extinguished early in March 2018;
- loan contracted by the EIB on 23 December 2014 of € 200,000 thousand, aimed at supporting the needs of the multi-year investment plan in the water area. The interest rate is

variable with maturity in June 2030. The residual amount of the loan at 31 December 2022 amounts to € 83,449 thousand;

- financing contracted with the EIB on 2 May 2017 for € 200,000 thousand as part of the Network Efficiency III Project. The interest rate is variable. The loan repayment plan envisages a period of pre-amortisation up to 15 June 2021 and amortisation in constant semi-annual instalments up to 31 December 2030. The residual amount of the loan at 31 December 2022 amounts to € 160,195 thousand;
- the new medium/long-term loan signed in 2020 and disbursed to Acea SpA on 30 July 2022, in two tranches equal to € 250,000 thousand, by the European Investment Bank, with reference to the Acea Ato2 investment programme for 2019-2022. At 31 December 2022, the first loan tranche of € 125,000 thousand accrued interest at a fixed rate, while the second tranche, also equal to € 125,000 thousand, accrues interest at a variable rate. Both loans mature in June 2037.

The table below provides details of the loans by type of interest rate and by maturity. It must be noted that the table also shows the short-term portion by 31 December 2023 of € 39,258 thousand.

€ thousand	31/12/2022	By 31/12/2023	From 31/12/2023 to 31/12/2027	After 31/12/2027
Loans:				
- fixed rate	125,129	133	17,044	107,953
- floating rate	376,330	39,125	141,478	195,728
Total	**501,460**	**39,258**	**158,522**	**303,680**

For information on financial instruments at the reporting date please refer to the paragraph "*Supplementary information on financial instruments and risk management policies*".

Medium/long-term borrowings from subsidiaries

On 20 December 2021 a contract was concluded for a loan from Acea Energia to Acea SpA. This was disbursed in a single amount with maturity 31 December 2031 and amortising repayment in six-monthly constant instalments. Below are details of the ageing, including the short-term portion.

€ thousand	Total residual debt	By 31/12/2023	Due from 31/12/2023 to 31/12/2027	After 31/12/2027
Loans:				
- fixed rate	116,735	12,975	51,880	51,880
Total	**116,735**	**12,975**	**51,880**	**51,880**

IFRS16 financial payables

This item includes the financial payable deriving from the adoption of IFRS16, the long-term portion of which amounts to € 4,345 thousand. The short-term portion instead amounts to € 4,500 thousand. The cash flows broken down by maturity to which Acea is potentially exposed are shown below:

€ thousand	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS 16 liabilities	**4,500**	**7,146**	**8,707**	**8,845**

25. Other non-current liabilities – € 31,714 thousand

The item of € 31,714 thousand (€ 2,292 thousand at 31 December 2021) includes the non-current portion of accrued expenses related to multi-annual user licences and development granted to subsidiaries and associates.

26. CURRENT LIABILITIES – € 851,805 THOUSAND

These amounted overall to € 851,805 thousand and decreased overall by € 202,761 thousand.

€ thousand	31/12/2022	31/12/2021	Change
Current financial payables	572,824	393,135	179,689
Payables to suppliers	233,199	222,154	11,046
Tax payables	0	0	0
Other current liabilities	45,782	33,755	12,027
Current liabilities	**851,805**	**649,043**	**202,761**

26.a - Financial payables – € 572,824 thousand

These rose by € 179,689 thousand and are composed as follows:

€ thousand	31/12/2022	31/12/2021	Change
Payables to banks for short-term credit lines	91	176	(85)
Payables to banks for loans	39,258	46,105	(6,847)
Short-term bonds	316,965	15,945	301,020
Payables to the Parent Company Roma Capitale	108,466	117,906	(9,440)
Payables to subsidiaries and associates	102,887	205,972	(103,084)
Payables to third parties	655	1,830	(1,174)
IFRS 16 financial payables within one year	4,500	5,202	(701)
Current financial payables	**572,824**	**393,135**	**179,689**

The decrease of € 6,847 thousand in payables to banks for loans refers to the residual portion of the loan stipulated on 25 August 2008, maturing in 2023.

The short-term position for bonds increased by € 301,020 thousand due to the reclassification into the short-term position of the 5-year bond issued by Acea on the Euro Medium Term Notes (EMTN) programme on 1 February 2018, which matures at the beginning of February 2023.

Financial payables due to Roma Capitale decreased by a total of € 9,440 thousand mainly due to the combined effect of offsets/payments for € 56,572 thousand plus the recognition of the new debt for Acea's stock dividends for the year 2021 for € 92,319 thousand, paid in the amount of 50% (€ 46,160 thousand).

The changes concerning payables to subsidiaries and associates mainly relate to centralised treasury transactions, which fell by € 103,084 thousand due to the lower financial exposure recorded during the year by some Group companies.
Other financial payables essentially include the short-term portion and the accrued expenses related to the loan disbursed by Acea Energia to Acea SpA.

The following is a breakdown by type of debt due to investee companies:

€ thousand	31/12/2022	31/12/2021	Change
Payables for cash pooling relationships	89,862	192,995	(103,134)
Other financial payables	13,026	12,976	50
Payables to subsidiaries and associates	**102,887**	**205,972**	**(103,084)**

This item includes the short-term portion of IFRS16 financial payables, equal to € 4,500 thousand (€ 5,202 thousand at 31 December 2021).

26.b - Trade payables – € 233,199 thousand

Results are as follows.

€ thousand	31/12/2022	31/12/2021	Change
Payables to suppliers	129,040	116,406	12,634
Payables to the parent company	182	208	(26)
Payables to subsidiaries and associates	103,977	105,540	(1,563)
Payables to suppliers	**233,199**	**222,154**	**11,046**

Payables to third-party suppliers show an increase of € 12,634 thousand and the balance is shown below:

€ thousand	31/12/2022	31/12/2021	Change
Payables due to invoices received	75,934	67,488	8,446
Payables due to invoices to be received	53,106	48,918	4,188
Payables to suppliers	**129,040**	**116,406**	**12,634**

With regard to payables to suppliers for invoices received for € 75,934 thousand, it must be noted that the expired component amounts to € 21,815 thousand, the remaining amount is due within the next twelve months.

Relative to relations with **subsidiaries and associates**, note a € 1,563 thousand decrease with respect to 31 December 2021, essentially relative to areti for fees relative to the Public Lighting service. Details by counterparty are provided in the following table:

€ thousand	31/12/2022	31/12/2021	Change
Acea Ato2	795	634	161
Acea Ato5	68	257	(190)
Acea Energia	12,490	9,199	3,291
Acea Produzione	58	80	(22)
areti	89,950	94,617	(4,667)
Acea Elabori	166	94	72
Acea Ambiente	48	49	(1)
GORI	44	99	(55)
Ecogena	25	19	6
Gesesa	48	0	48
Other	284	491	(207)
Total	**103,977**	**105,540**	**(1,563)**

26.c - Other current liabilities – € 45,782 thousand

The increase of € 12,027 thousand is due for € 11,756 thousand to the short-term portion of accrued expenses relative to multi-year user rights for licenses and developments granted to subsidiaries and associates, through application of the new contract which took effect on 1 January 2022.

€ thousand	31/12/2022	31/12/2021	Change
Payables to social security institutions	3,877	3,775	102
Accrued expenses and deferred income	12,812	1,056	11,756
Tax consolidation payables to subsidiaries	9,120	9,437	(317)
Payables due to personnel	10,211	9,554	657
Payables to Equitalia	61	63	(2)
Other current liabilities	9,701	9,870	(169)
Other current liabilities	**45,782**	**33,755**	**12,027**

For greater clarity, it must be noted that payables with a due maturity of more than five years are not recorded in the financial statements, other than those already indicated with respect to the item “Loans”.

INFORMATION ON RELATED PARTIES

ACEA AND ROMA CAPITALE

The controlling entity holds an absolute majority with 51% of Acea's shares.
There are commercial relations between Acea and Roma Capitale, as the company provides services to the Municipality with regard to maintenance and upgrading of public lighting systems.
With regard to the public lighting service, we inform you that it is provided exclusively in the Rome area. As part of the thirty-year free grant issued by the Municipality of Rome in 1998, the economic terms of the services subject to the concession are currently governed by a service contract between the parties in force since May 2005 and until the concession expires (31 December 2027), pursuant to the supplementary agreement signed between Acea and Roma Capitale on 15 March 2011 modified in June 2016 with a private deed aimed at regulating commitments and obligations deriving from the implementation of the LED Plan.

The additions of the supplementary agreement of 2011 concern the following aspects:
- alignment of the duration of the service contract to the expiry of the concession (2027), given the mere accession function of the contract to the agreement;
- periodic updating of the fee components related to electricity consumption and maintenance;
- annual increase in the lump-sum payment for the new lighting points 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.
On the due or early termination date Acea is entitled to an indemnity corresponding to the residual book value of the assets that will be paid by the Municipality or the incoming operator upon express provision of this obligation in the call for tenders for the selection of the new operator.
Finally, the contract establishes a list of events which represent just cause for early revocation of the concession and/or termination of the contract by the parties. Of these events, that relative to newly arising requirements linked to the public interest appears relevant, expressly included under that established by article 23-*bis* of Italian Decree Law 112/2008, abrogated after the referendum of 12 and 13 June 2011, which determines for Acea the right to an indemnity commensurate with the discounted product of a defined percentage of the annual contractual amount and the number of years remaining until the natural expiry of the concession.
The supplementary agreement, exceeding the materiality thresholds defined by the Company in relation to Transactions with Related Parties, was submitted to the analysis of the Board of Directors and obtained approval at the meeting on 1 February 2011, after obtaining the favourable opinion by the Committee for Transactions with Related Parties.

Reciprocal claims and liabilities — with reference to payment methods and terms — are governed by individual contracts:
a. for the public lighting service contract the payment is expected within sixty days from the submission of the invoice and, in the event of delayed payment, the legal rate is applied for the first sixty days and then the default rate as established from year to year by a special decree of the Minister of Public Works in agreement with that of the Minister of Economy and Finance,
b. for all other service contracts the payment deadline for Roma Capitale with reference to service contracts is sixty days from receipt of the invoice and in the event of late payment, the parties have agreed to apply the official discount rate in force over time.

The private agreement signed in June 2016 between Acea and Roma Capitale regulated commitments and obligations deriving from the implementation of the LED Plan modifying art. 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 per month starting thirty days after the signing of the agreement; the price was set at € 48 million for the entire Led Plan. The amount is to be paid in the amount of 10% in advance and the remaining part on the basis of specific bimonthly progress certificates, which must be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project.
As a result of the implementation of the LED Plan, the parties partially modified the price list and the composition of the fee for the management of the service.
New constructions and investments contribute to the increase in the lump-sum payment due to the annual rate calculated according to the mechanism of tax depreciation envisaged for the plants underlying the specific intervention and to the percentage reduction of the ordinary rent due from Roma Capitale whose amount is defined in the technical-economic project document.
A variable interest rate is envisaged to remunerate the invested capital.
With regards the extent of the relationship between Acea and Roma Capitale, reference must be made to what has been explained and commented on receivables and payables to the parent company in note no. 19.c of this document.
We can inform you finally that, 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 for 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 perplexities on the legitimacy of the award to Acea SpA itself. 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. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea's ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration's intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the Public Lighting service.

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 finally 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 and the related collections as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.

From the point of view of economic relations, instead, the costs and revenues at 31 December 2022 are summarised below with reference to the most significant transactions.

	Revenues		Costs	
€ thousand	2022	2021	2022	2021
Public Lighting Service contract	49,157	30,385	78	77
Revenue from real. plants on request	429	1,983	0	0
Total	**49,585**	**32,368**	**78**	**77**

ACEA AND THE ROMA CAPITALE GROUP

Even with companies, special companies or institutions controlled by Roma Capitale, Acea has commercial relations.

The following table shows information on entries with the companies of the Roma Capitale Group.

Roma Capitale Group	31/12/2022			
€ thousand	Payables	Costs	Receivables	Revenues
Ama SpA	130	579	44	17
Fondazione Cinema per Roma	122	122	0	0
Fondazione Teatro dell'Opera	0	15	0	0
Total	**252**	**719**	**44**	**17**

ACEA AND ITS SUBSIDIARIES

Finance relationship

Acea SpA, in its function as an industrial holding company, defines the strategic objectives at the Group and subsidiary level and coordinates its activities.
As part of the centralised management of financial services, the parent company Acea has long since adopted a Group inter-company treasury system, including an inter-company finance relationship, making it available to many Group companies with which a special multi-year inter-company finance contract was signed.
The intercompany finance contracts were renewed on 1 January 2020. Based on this contract, Acea makes available a medium-term revolving loan, known as the "Intercompany Finance Line", up to a predetermined credit limit for financing the financial needs for **i)** working capital requirements and **ii)** the execution of investments.
In addition, Acea makes credit lines available to its own companies for signature, for an amount equal to the Plafond for bank guarantees or through the direct issuing of corporate guarantees for an amount equal to the Plafond for Corporate Guarantees.
The operation of this contract provides that in a permanent and daily manner each company, holder of specific peripheral bank current accounts, daily credit or debit the Parent Bank's current account to zero the balance on its current accounts.
In the case of a daily intercompany balance due by currency, the companies pay interest expense to the Parent Company calculated, for each year, on the basis of a market interest rate, defined as the sum of: Cost of funding, the average weighted interest rate paid by the Acea Group on the market the previous year and Incremental Risk, the risk differential between the Acea Group and individual companies participating in the contracts. For 2022, the interest rate applied falls between a minimum of 1.82% and a maximum of 2.73%, while in 2021, the rate applied fell between a minimum of 2.12% and a maximum of 2.98%.
In the case of a daily intercompany credit balance by currency, Acea recognises calculated interest rates for each quarter by applying the

interest rate resulting from the arithmetic average of the "3 month EURIBOR" rates (source Bloomberg) in the previous quarter.
Contractual terms applied are, with the same credit standing and type of financial instrument, in line with those resulting from the reference market, also supported by the evidence of a benchmark developed by a leading consulting firm.

The new contracts saw revisions made to the following conditions:
- the duration is 30 years or until the expiry of concessions for companies with regulated business (Acea Ato2 and areti);
- revision of the total rate calculation method for the use of the Intercompany Finance Line;
- revision of the method for calculating the rates applied on bank and corporate guarantees;
- regular annual update of economic conditions based on the previous year's financial statements.

In 2022, the scope of current Treasury Contracts was expanded through the granting of a line for insurance sureties.

Commercial relationship

Acea also provides subsidiaries and associated companies with administrative, financial, legal, logistics, management and technical services in order to optimise the resources available within the Company and to optimally use existing know-how in a logic of affordability. These services are governed by specific service contracts.
As of 1 January 2020, and for three years, the new service contracts for 2020-2022 took effect. The methodology used to determine the unit price is the Cost Plus Method, which calls of the identification of a shared base cost, to which is applied a mark-up on internal costs (subject to market benchmarks by a major consulting company) and, subsequently, divided up between the various beneficiaries of the services through allocation keys which are compliant and consistent, in line with what third parties would do. These contracts are compliant for regulatory purposes and of the Organisation, management and control model and envisage SLAs (Service Level Agreements) with a view to improving the level of service offered, to relate to relevant KPIs (Key Performance Indicators).

As of 1 January 2022, replacing the Template project "communion" system, Acea and its subsidiaries signed a new contract for Acea to supply assets and IT services from a specific catalogue, ranging from supplying software licenses and developments relative to which Acea transfers multi-year user rights through a license, to sales of hardware infrastructure. As part of this contract, Acea manages the operating, application management and maintenance of software and hardware falling under the contract and IT security services.
In any case, a portion of the Template contract is still operational for a residual portion of the "communion" that is still undivided.

Finally, during 2022 Acea continued to develop a series of software programmes made available only to the companies located within the Water Area through the signing of specific contracts providing for a consideration user licences and the related maintenance release and ordinary maintenance services.

The contractual terms applied are, for the same type of service rendered, in line with those resulting from the market.

ACEA AND THE MAIN COMPANIES OF THE CALTAGIRONE GROUP

As of the end of financial year 2022, there were the following financial relationships with the companies of the Caltagirone Group and Acea SpA.

	31/12/2022			
€ thousand	Payables	Costs	Receivables	Revenues
Piemme SpA - Concessionaria di pubblicità SpA	51	103	0	0
Total	**51**	**103**	**0**	**0**

ACEA AND THE MAIN COMPANIES OF THE SUEZ GROUP

As of the end of financial year 2022, there were the following financial relationships with the companies of the Suez Group.

Impact on the statement of financial position

	31/12/2022			
€ thousand	Payables	Costs	Receivables	Revenues
Suez International Sas	0	0	242	242
Total	**0**	**0**	**242**	**242**

The table below shows the impact 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 related party transactions	% impact	31/12/2021	Of which related party transactions	% impact
Non-current financial assets	3,547,241	3,538,039	100%	3,381,711	3,381,497	100%
Trade receivables	149,229	148,311	99%	179,359	178,870	100%
Other current assets	52,764	17,615	33%	34,243	10,794	32%
Current financial assets	667,283	472,146	71%	656,858	382,045	58%
Borrowings and financial liabilities	(4,404,759)	(103,760)	2%	(4,518,588)	(116,730)	3%
Other non-current liabilities	(31,714)	(31,115)	98%	(2,292)	0	0%
Current financial payables	(572,824)	(211,354)	37%	(393,135)	(323,878)	82%
Payables to suppliers	(233,199)	(104,651)	45%	(222,154)	(106,227)	48%
Other current liabilities	(45,782)	(21,753)	48%	(33,755)	(9,442)	28%

Impact on the economic results

€ thousand	2022	Of which related party transactions	% impact	2021	Of which related party transactions	% impact
Revenue from sales and services	191,611	191,604	100%	160,125	160,125	100%
Other revenue and proceeds	18,803	8,926	47%	12,486	9,260	74%
Costs of materials and overhead	185,120	67,661	37%	153,457	49,877	33%
Financial income	89,303	87,163	98%	90,390	89,598	99%
Financial charges	(67,576)	(1,633)	2%	(60,090)	1,182	-2%
Profit/(Loss) on equity investments	258,169	258,169	100%	213,791	213,791	100%
Income tax	(11,506)	(100,588)	874%	(5,625)	(99,067)	1761%

Impact on the Cash Flow Statement

€ thousand	2022	Of which related party transactions	% impact	2021	Of which related party transactions	% impact
Cash flow from operating activities	(69,514)	(39,918)	57%	(138,959)	21,558	-16%
Cash flow of asset investment/disinvestment	64,404	515,006	800%	(446,243)	799,153	-179%
Cash flow from financing activities	(136,509)	(34,350)	25%	608,235	(34,956)	-6%

LIST OF TRANSACTIONS WITH RELATED PARTIES

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 commercial partnership between Acea and Suez International.

UPDATE ON MAJOR DISPUTES AND LITIGATION

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.

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 (Euro 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 debeatur*, 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 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 c.p.c. 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 18/02/2022. We are currently awaiting the dissolution of the reserve by the Judge on the requests of the parties.

GALA'S CITATION TO ARETI, ACEA ENERGIA SPA AND ACEA SPA

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 other defendant companies — Acea SpA and Acea Energia SpA — 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.

AGCM PROCEEDING A/513 - ACEA SPA, ACEA ENERGIA SPA AND ARETI SPA

On 8 January 2019, the Antitrust Authority notified Acea SpA, Acea Energia SpA and areti SpA 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.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Acea, with respect to the amounts set aside. 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 IFRS9 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory Notes
Non-current assets	**2,350**	**0**	**3,547,241**	**3,537,324**	
Equity investments	2,350	0	0	2,350	16
Financial assets	0	0	3,547,241	3,547,241	18
Current assets	**0**	**0**	**862,132**	**844,593**	
Trade receivables	0	0	149,229	149,229	20
Current financial assets	0	0	667,283	667,283	20
Other current assets	0	0	45,621	45,621	20
Non-current liabilities	**0**	**160,430**	**4,136,224**	**4,296,655**	
Bonds	0	160,430	3,674,022	3,834,453	24
Payables to banks	0	0	462,202	462,202	24
Current liabilities	**0**	**0**	**834,492**	**825,996**	
Short-term bonds	0	0	316,965	316,965	26
Payables to banks	0	0	39,349	39,349	26
Other financial payables	0	0	212,009	212,009	26
Trade payables	0	0	233,199	233,199	26
Other liabilities	0	0	32,970	19,973	26

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 receivables and payables is calculated on the basis of the risk-less and risk-less adjusted rates. 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

Acea is not particularly exposed to this type of risk which is concentrated on the conversion of the financial statements of foreign 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.

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.
At 31 December 2022 the Parent Company had unused committed credit lines of € 700.0 million and uncommitted lines of € 425.0 million, of which € 21.0 million used. No guarantees were granted in obtaining these lines.
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.

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 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 (85%) 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.

€ 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	125,129	114,563	10,566	105,814	19,315
- floating rate	376,330	371,965	4,365	356,931	19,400
Total	**4,652,878**	**4,315,760**	**337,118**	**4,192,428**	**460,449**

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 EUR, 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)
(1.5%)	(419.2)
(1.0%)	(316.4)
(0.5%)	(216.9)
(0.3%)	(168.4)
n.s.	0.0
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.

COMMITMENTS AND CONTINGENCIES

These amounted to € 810,600 thousand and increased by € 34,890 thousand compared to 31 December 2021 (€ 775,710 thousand).

ENDORSEMENTS AND SURETIES ISSUED AND RECEIVED

These have a negative net balance of € 29,340 thousand, as the endorsements and sureties issued amounted to € 21,630 thousand while those received amounted to € 50,969 thousand.
These saw an increase of € 5,017 thousand compared to the end of the previous year. The change is due to the release of bank sureties issued in favour of INPS as part of the isopension programmed for € 1,346 thousand and the release of an insurance guarantee for participation in the IIS management tender issued by the province of Piacenza for € 3,978 thousand.

LETTERS OF PATRONAGE ISSUED AND RECEIVED

The balance is positive for € 586,930 thousand, consisting of letters of patronage issued for € 587,133 thousand and letters of patronage received for € 203 thousand.
During the year they underwent an overall reduction of € 28,168 thousand.

The main changes concerned:

- the increase in guarantees given to various traders in favour of Acea Energia for € 93,000 thousand;
- the release of guarantees given in favour of banks and financial institution relative to photovoltaic companies for € 27,554 thousand;
- the overall reduction in guarantees in favour of various companies in compliance with the obligations established in electricity transport contracts on the account of Acea Energia, for a total of € 17,976 thousand;
- the release of a surety in favour of Fergas Solar in the interest of Acea Produzione, guaranteeing a contract to purchase energy produced by Fergas Solar for € 5,014 thousand;
- the decrease in the guarantee in favour of CDDPP (€ 24,458 thousand) on the account of areti.

THIRD-PARTY ASSETS UNDER CONCESSION

These amount to € 86,077 thousand and have not changed since 31 December 2021 and refer to assets related to Public Lighting.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

In inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2022, equal to € 206,735,269.29, as follows:
- € 10,336,763.46, equal to 5% of profits, to the legal reserve,
- distribution of a total dividend of € 180,665,720.95 to shareholders, corresponding to a dividend of € 0.85 per share;
- € 15,732,784.87 carried forward.

The total dividend (coupon no. 24) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 21 June 2023 with coupon detachment on 19 June 2023 and record date 20 June 2023.

On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA

The Board of Directors

ANNEXES TO THE EXPLANATORY NOTES OF WHICH THEY FORM AN INTEGRAL PART

ANNEX 1 – FINANCIAL DEBT AT 31 DECEMBER 2022

€ thousand	31/12/2022	Of which related party transactions	31/12/2021	Of which related party transactions	Change
A) Cash	299,918	0	441,538	0	(141,620)
B) Cash equivalents	0	0	0	0	0
C) Other current financial assets	667,283	472,146	656,858	382,045	10,424
D) Liquidity (A + B + C)	**967,201**	**472,146**	**1,098,396**	**382,045**	**(131,195)**
E) Current financial debt	(216,600)	(211,354)	(331,085)	(323,878)	114,485
F) Current portion of non-current financial debt	(356,223)	0	(62,050)	0	(294,173)
G) Current financial debt (E + F)	**(572,824)**	**(211,354)**	**(393,135)**	**(323,878)**	**(179,689)**
H) Net current financial debt (G + D)	**394,377**	**260,793**	**705,261**	**58,167**	**(310,884)**
I) Non-current financial debt	(4,404,759)	(103,760)	(4,518,588)	(116,730)	113,829
J) Debt instruments	0	0	0	0	0
K) Trade payables and other non-current payables	0	0	0	0	0
L) Non-current financial debt (I + J + K)	**(4,404,759)**	**(103,760)**	**(4,518,588)**	**(116,730)**	**113,829**
Total financial debt (H + L)	**(4,010,382)**	**157,033**	**(3,813,326)**	**(58,563)**	**(197,055)**
Long-term financial receivables*	3,547,241	3,538,039	3,381,711	3,381,497	165,531
Net Financial Position	**(463,141)**	**3,695,072**	**(431,616)**	**3,322,934**	**(31,525)**

* We can note that the item in reconciliation refers to intra-group financial receivables deriving mainly from relationships related to intercompany financing contracts.

ANNEX 2 – CHANGES IN HOLDINGS AS AT 31 DECEMBER 2022

€ thousand	31/12/2021	Changes in the period: Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2022
Subsidiaries							
areti SpA	683,861	0	0	0	0	0	683,861
Acea Ato2 SpA	585,442	0	0	0	0	0	585,442
Acea Elabori SpA	7,209	0	0	0	0	0	7,209
Acea Energia SpA	277,164	0	0	0	0	0	277,164
Acea Ato5 SpA	20,166	0	0	0	96,338	(7,585)	108,918
Consorcio Acea - Acea Domenicana	43	0	0	0	0	0	43
Acque Blu Arno Basso SpA	14,663	0	0	0	0	0	14,663
Ombrone SpA	19,383	0	0	0	0	0	19,383
Acque Blu Fiorentine SpA	43,911	0	0	0	0	0	43,911
Acea Ambiente Srl	39,151	0	0	0	0	0	39,151
Aquaser Srl	61	0	0	0	0	0	61
Acea Molise Srl	2,874	0	0	0	0	0	2,874
Agile Academy Srl (formerly Parco della Mistica)	2	0	0	0	0	0	2
Sarnese Vesuviano Srl	21,410	0	0	0	0	0	21,410
Acea Liquidation and Litigation Srl	8,341	0	0	0	0	0	8,341
Acea Produzione SpA	173,206	0	0	0	0	0	173,206
Acea Energy Management Srl	50	0	0	0	0	0	50
Acea International SA	19,104	0	0	0	1,726	0	20,829
Hydreco Scarl in liquidation	0	0	0	0	0	0	0
UmbriaDue Servizi Idrici Scarl	4,499	0	0	(471)	0	(4,028)	0
ASM Terni SpA	0	0	0	471	0	0	471
TWS SpA	64	0	0	0	0	0	64
Adistribuzionegas Srl (formerly Alto Sangro Distribuzione Gas Srl)	24,023	0	0	0	2,739	0	26,761
Total - subsidiaries	**1,944,626**	**0**	**0**	**0**	**100,802**	**(11,613)**	**2,033,815**

€ thousand	31/12/2021	Changes in the period: Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2022
Associates							
Aguazul Bogotà SA	333	0	0	0	(37)	0	296
Ecomed Srl	118	0	0	(51)	0	0	67
Umbra Acque SpA	6,851	0	0	0	0	0	6,851
Ingegnerie Toscane Srl	58	0	0	0	0	0	58
Intesa Aretina Scarl	11,505	0	0	0	0	0	11,505
Geal SpA	3,788		0	0	0	0	3,788
Umbria Distribuzione Gas SpA	318	0	0	0	0	0	318
Marco Polo SpA in liquidation	0	0	0	0	0	0	0
Citelum Napoli Pubblica Illuminazione Scarl	0	0	0	0	0	0	0
Sienergia SpA in liquidation	0	0	0	0	0	0	0
DI.T.N.E. Scarl	12	0	0	0	0	0	12
DropMI Srl	0	2,565	0	0	0	0	2,565
Total - associates	**22,984**	**2,565**	**0**	**(51)**	**(37)**	**0**	**25,461**

€ thousand	31/12/2021	Changes in the period: Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2022
Other companies							
Polo Tecnologico Industriale Romano SpA	2,350	0	0	0	0	0	2,350
WRC Plc	0	0	0	0	0	0	0
Total - Other companies	**2,350**	**0**	**0**	**0**	**0**	**0**	**2,350**

ANNEX 3 – SIGNIFICANT NON-RECURRING TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

It must be noted that no non-recurring significant transactions were carried out during the period.

ANNEX 4 – POSITIONS OR TRANSACTIONS DERIVING FROM UNUSUAL AND/OR ATYPICAL OPERATIONS

Pursuant to the Consob Communication of 28 July 2006, it should be noted that during 2022 Acea SpA has not performed atypical and/or unusual transactions, as defined by the Communication itself.

ANNEX 5 – SEGMENT INFORMATION (IFRS8)

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Tangible fixed assets	10,275	104,070	114,345	0	114,345
Real estate investments	0	2,256	2,256	0	2,256
Intangible fixed assets	0	92,197	92,197	0	92,197
Rights of use	0	8,470	8,470	0	8,470
Equity investments in subsidiaries and associates	0	2,059,277	2,059,277	0	2,059,277
Other equity investments	0	2,350	2,350	0	2,350
Deferred tax assets	0	13,453	13,453	0	13,453
Financial assets	13,237	3,534,004	3,547,241	0	3,547,241
Other non-current assets	0	208	208	0	208
Non-current assets	**23,512**	**5,816,285**	**5,839,797**	**0**	**5,839,797**
Trade receivables	2,524	146,704	149,229	0	149,229
Other current assets	0	52,764	52,764	0	52,764
Current tax assets	0	9,222	9,222	0	9,222
Current financial assets	111,208	556,075	667,283	0	667,283
Cash and cash equivalents	0	299,918	299,918	0	299,918
Current assets	**113,732**	**1,064,683**	**1,178,416**	**0**	**1,178,416**
Non-current assets destined for sale	0	0	0	0	0
Total assets	**137,244**	**6,880,968**	**7,018,212**	**0**	**7,018,212**

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Share capital	0	1,098,899	1,098,899	0	1,098,899
Legal reserve	0	147,501	147,501	0	147,501
Other reserves	0	91,954	91,954	0	91,954
Retained earnings/(losses)	0	145,564	145,564	0	145,564
Profit (loss) for the year	0	206,735	206,735	0	206,735
Shareholders' Equity	0	1,690,653	1,690,653	0	1,690,653
Staff termination benefits and other defined benefit plans	0	21,901	21,901	0	21,901
Provisions for risks and charges	0	17,381	17,381	0	17,381
Borrowings and financial liabilities	0	4,404,759	4,404,759	0	4,404,759
Other liabilities	0	31,714	31,714	0	31,714
Non-current liabilities	**0**	**4,475,755**	**4,475,755**	**0**	**4,475,755**
Borrowings	2,524	570,299	572,824	0	572,824
Payables to suppliers	100,491	132,708	233,199	0	233,199
Tax payables	0	0	0	0	0
Other current liabilities	0	45,782	45,782	0	45,782
Current liabilities	**103,016**	**748,789**	**851,805**	**0**	**851,805**
Liabilities closely associated with assets held for sale	0	0	0	0	0
Total liabilities and shareholders' equity	**103,016**	**6,915,197**	**7,018,212**	**0**	**7,018,212**

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Revenue from sales and services	49,663	141,948	191,611	0	191,611
Other revenue and proceeds	0	18,803	18,803	0	18,803
Net revenues	**49,663**	**160,752**	**210,415**	**0**	**210,415**
Staff costs	0	63,845	63,845	0	63,845
Costs of materials and overhead	51,773	133,347	185,120	0	185,120
Operating costs	**51,773**	**197,192**	**248,965**	**0**	**248,965**
EBITDA	**(2,110)**	**(36,440)**	**(38,551)**	**0**	**(38,551)**
Net write-downs (write-backs) of trade receivables	0	188	188	0	188
Depreciation, amortisation and provisions	2,055	43,874	45,929	0	45,929
Operating profit/(loss)	**(4,165)**	**(80,502)**	**(84,667)**	**0**	**(84,667)**
Financial income	601	88,702	89,303	0	89,303
Financial charges	(223)	(67,353)	(67,576)	0	(67,576)
Profit/(Loss) on equity investments	0	258,169	258,169	0	258,169
Profit/(loss) before tax	**(3,787)**	**199,017**	**195,229**	**0**	**195,229**
Income tax	0	(11,506)	(11,506)	0	(11,506)
Net result of continuing operations	**(3,787)**	**210,522**	**206,735**	**0**	**206,735**
Net profit/(loss) from discontinued operations					
Net profit/(loss)	**(3,787)**	**210,522**	**206,735**	**0**	**206,735**

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

(in accordance with art. 153 of Italian Legislative Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also referred to as "the Board") of ACEA S.p.A. (hereinafter also referred to as "Acea" or "Company") is required to report to the Shareholders' Meeting on the supervisory activities carried out during the year and on the omissions and reprehensible facts identified pursuant to art. 153 of Italian Legislative Decree no. 58/1998 (hereinafter also "TUF").
The Board may also make comments and proposals regarding the financial statements, their approval and the matters within its remit.
Since its appointment by the Shareholders' Meeting of 27 April 2022, the Board has carried out its institutional duties in compliance with the Italian Civil Code, the TUF and Italian Legislative Decree 39/2010 (Consolidated Law on Independent Auditing), the rules of the by-laws and the regulations issued by the Authorities performing supervisory and audit activities in relation to the Company, also taking into account the principles of conduct of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts.
In particular, the Board of Statutory Auditors monitored:

- compliance with the law and the By-Laws, compliance with the principles of correct administration and the functionality and adequacy of the organisational structure, the internal control and risk management system and the administrative-accounting system;
- the adequacy of the instructions given to Subsidiaries, also pursuant to Article 114, paragraph 2 of the Consolidated Finance Act;
- the procedures for the concrete implementation of the corporate governance rules provided for in the Corporate Governance Code, issued by the Corporate Governance Committee of Borsa Italiana S.p.A., which the Company has adopted;
- the compliance of the Procedure on transactions with Related Parties, approved by the Board of Directors, with the principles pursuant to Consob Resolution no. 17221 of 12 March 2010, as amended, and observance of the said Procedure (updated following the changes introduced by Consob with Resolution no. 21624 of 10 December 2020);
- the existence of the requisites of suitability in relation to its representatives, in application of the current legislation on the subject;
- the criteria and practices used to assess the independence of members of the Board of Directors;
- the observance of the legal and regulatory rules related to the process of forming the Financial Statements and preparing the non-financial declaration pursuant to Italian Legislative Decree no. 254/2016.

Furthermore, in its capacity as Internal Control and Audit Committee, the Board of Statutory Auditors performed the functions envisaged by Art. 19 of Italian Legislative Decree no. 39/2010.
This report provides information on the activities carried out by the Board of Statutory Auditors of Acea S.p.A. in the year ended 31 December 2022.

In the light of the foregoing, the information contained in Consob Communication 1025564/2001 and subsequent amendments and additions is provided below.

Appointment of the Board of Statutory Auditors

The undersigned Board of Statutory Auditors was appointed at the Shareholders' Meeting held on 27 April 2022 for three financial years until the approval of the Financial Statements at 31 December 2024.
The Board of Statutory Auditors in office at the date of this report is composed of Maurizio Lauri (Chairperson), Claudia Capuano and Leonardo Quagliata.

Self-assessment of the Board of Statutory Auditors

Upon taking office, the Board assessed its composition, deeming it to be adequate, verifying in particular compliance with the requirements of independence, professionalism, integrity, diversity, skill and limits to the number of positions held.
The members of the Board have also stated that they have the time necessary for the complexity of their duties.
A similar overall assessment was also conducted in 2023 in the Board's annual self-assessment. When these activities had been completed, based on the information in its possession, the information requested and acquired, as well as the declarations made by the individual members, the Board therefore verified and confirmed that all its members continue to have:

- the independence requisites provided for both in the law (Art. 148, paragraph 3 of the TUF) and in the Corporate Governance Code for statutory auditors of listed companies;
- the requisites of professionalism, expertise and experience in accordance with the provisions of the Regulation containing rules for the establishment of the requisites of professionalism and integrity of the members of the Board of Statutory Auditors of listed companies;
- the requisites provided for in Art. 22 of the Articles of Association under the terms of which "The Board of Statutory Auditors shall consist of three effective members and two alternates, all meeting the requirements foreseen by the Law, all applicable regulations, and the Voluntary Code of Conduct for Publicly Traded Companies". On the same occasion it was also verified that each member of the Board of Statutory Auditors continues to comply with the provisions of the applicable laws and regulations (art. 148-bis of the TUF and art. 144-duodecies to 144-quinquiesdecies of the Issuers Regulations) with regard to the limits on the number of posts held.

Moreover, also in accordance with the provisions of art. 19 of Italian Legislative Decree 39/2010, it was verified that the members of the Board, as the Internal Control and Audit Committee, as a whole are competent in the sector the Company operates in.

Activities and Organisation of the Board of Statutory Auditors

During 2022, the Board of Statutory Auditors carried out the activities it was responsible for, holding 25 meetings.
The Board of Statutory Auditors attended all the meetings of the Board of Directors and internal committees: the 15 meetings of the Administrative Body, the 10 meetings of the Control and Risks Committee, 11 meetings of the Nominations and Remuneration Committee, 8 meetings of the Committee for the Region, 11 meetings of the Related Party Transactions Committee and 8 meetings of the Ethics and Sustainability Committee.
In addition, the Board of Statutory Auditors attended the Shareholders' Meeting held on 27 April 2022 in ordinary session, at which the Shareholders could attend exclusively through their designated representative, pursuant to Article 106 of Decree Law 18/2020, later converted into Law 27/2020, the effectiveness of which was extended by Decree Law no. 228 of 30 December 2021, converted, with amendments, by Law no. 15 of 25 February 2022 until 31 July 2022.
During the Board of Directors meeting, the Board of Statutory Auditors obtained information pursuant to Article 150, paragraph 1 of the TUF on activities carried out and Acea's most significant economic, financial and equity transactions carried out during the year by the Company and its subsidiaries.
Based on the information acquired through its supervisory activities, the Board has not become aware of any transactions that were not based on the principles of correct administration, resolved and carried out in breach of the law and the by-laws, not in the interest of Acea, in contrast with resolutions passed by the Shareholders' Meeting, manifestly imprudent or reckless, lacking the necessary information in case of Directors' interests or compromising the integrity of the company's assets.
The Board oversaw the Board of Directors' decision-making procedures and verified that the management decisions were compliant with the applicable regulations (substantive legitimacy), adopted in the interest of the Company, compatible with the Company's resources and assets and adequately supported by information, analysis and verification processes.

Transactions of particular significance

The most significant transactions carried out by the Acea Group during 2022 are specified in the documentation submitted to the Shareholders' Meeting, to which reference should be made.
The Board considers it helpful to note the special macroeconomic and geopolitical environment in 2022 brought on by the Russia-Ukraine conflict, the particular volatility of energy market commodities, inflationary dynamics, and interest rate dynamics.
In this regard, the Board has paid particular attention, as indicated in the rest of the Report, in its supervisory activities, to the numerous documents, guidelines, references and recommendations issued one after the other by the Regulatory Authorities (with particular reference to CONSOB) and by other supranational institutions (such as ESMA) aimed at providing guidelines to ensure correct and transparent application of what is provided for in the financial reporting standards in the particular context which characterises this period.
The figures in the separate and consolidated financial statements submitted for your approval show the continuation of significant economic margin capacity. However, in this context characterised by significant uncertainty in how the main macroeconomic variables will change, the Board recommends continued and constant attention to the overall evolution of the group's net financial position.
In the opinion of the Board, the corporate strategy must continue to define a balance between the needs for growth in corporate margins (in regulated activities strongly influenced by the size of investments put in place) and the needs related to maintaining a prudent financial balance.

Atypical or unusual operations

The documents submitted for your approval, the information received during the meetings of the Board of Directors and the meetings of the internal Board Committees, that received from the Chairperson and the Chief Executive Officer, the management, the Boards of Statutory Auditors of directly controlled companies and the independent auditing firm PwC S.p.A. (hereinafter also referred to as "PwC"or "Audit firm") did not reveal the existence of atypical and/or unusual transactions, including intra-group transactions or transactions with related parties.

Intergroup or related-party transactions

Significant intercompany or related-party transactions are set out in the documents submitted for your approval, to which we refer.
In particular, during 2022, the Board of Directors approved, with the favourable opinion of the Related-Party Transactions Committee, a major transaction between Acea, the first party, and Nuova Suez and Suez International (fully and directly held by Nuova Suez), the second party, to design a cutting-edge, smart metering system for the water service (so-called "smart meter") and subsequent production and commercialisation in Italy and abroad through a specific commercial partnership between Acea and Suez International.
In 2023, the Board of Directors, with the favourable opinion of the Board of Statutory Auditors as the Equivalent Internal Control of the Related-Party Transactions Committee, approved the submission by the Acea Group, with a temporary grouping of companies that includes Hitachi Zosen Inova, Vianini Lavori and Suez, of a proposal, pursuant to the exploratory notice published by Roma Capitale on 1 December 2022, for the concession of a plant hub for the recovery of the fraction of unsorted waste produced by the city of Rome, qualified as a major transaction.
Also in 2023, the Board of Directors, with the favourable opinion of the Board of Statutory Auditors as the Equivalent Internal Control of the Related-Party Transactions Committee, approved the renewal of the partnership with the Rome Opera Theatre Foundation, qualified as a minor transaction.

Supervisory activities pursuant to the Consolidated Law on Statutory Audits

The Board of Statutory Auditors, identified by the Consolidated Law on Auditing as the "Committee for Internal Control and Statutory Audit", oversaw:

- the financial reporting process;
- the effectiveness of internal control, internal auditing and financial reporting risk management systems;
- the statutory audit of annual accounts and consolidated accounts;
- the independence of the external auditor (hereinafter also "au-

ditor", "external auditor" or "audit firm"), in particular as regards the provision of non-audit services.

The Board examined the reports prepared by the independent auditing firm, whose activity supplements the general framework of the control functions established by the regulations with regard to the financial and non-financial reporting process.
The Acea Shareholders' Meeting appointed PwC to audit the accounts for the period 2017-2025, including the Independent audit of the consolidated and separate financial statements, the limited audit of the condensed separate financial statements at 30 June and the audit of the separate annual accounts of Group companies that fall within the scope of unbundling regulations.
Furthermore, the Audit Firm was awarded the endorsement assignment pursuant to Article 3 of Legislative Decree 254/2016, with reference to the Non-Financial Statement.
In the light of the current rules, the Audit Firm issued today, under the terms of Article 14 of Italian Legislative Decree no. 39/2010, the Auditing Report on the Separate and Consolidated Financial Statements for the year to 31 December 2022. The form and contents of the Auditing Report are compliant with the amendments made to Italian Legislative Decree no. 39/2010 by Italian Legislative Decree no. 135/2016.
The Audit Firm issued these Reports without findings and with some informational references, for which one should refer to the financial statement documents submitted to the Shareholders' Meeting.
The Audit firm, in addition,

i) issued a judgement which states that the Reports on Operations that accompany the separate and consolidated Financial Statements – as well as some specific information contained in the "Report on Corporate Governance and Shareholding Structure" indicated in article 123-bis, paragraph 4, of the Consolidated Finance Act (for which the Directors are responsible) – are consistent with the Financial Statements and are prepared in compliance with the applicable legal provisions;
ii) checked that the Directors had prepared the "Report on the Remuneration Policy and on Remuneration Paid", as provided for in article 123-ter, paragraph 8-bis of the Consolidated Finance Act;
iii) declared, as regards significant errors in the Reports on Operations, on the basis of the knowledge and understanding of the business and of the related context acquired during the auditing activity, that it had nothing to report.

The Audit Firm has also certified that it has carried out the audit procedures set forth in Auditing Standard SA (Italy) 700B for the purpose of expressing an opinion on whether the annual financial statements and consolidated financial statements comply with the provisions of European Commission Delegated Regulation (EU) 2019/815 on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF) to the annual financial statements and consolidated financial statements, to be included in the annual financial report (the "Delegated Regulation"). These procedures did not reveal any non-compliance with the Delegated Regulation.
For details on the key aspects of the auditing please see the content of the Reports issued by PwC, published together with the separate and consolidated Financial Statements.
The Audit firm also issued to the Board of Statutory Auditors, under the terms of article 11 of Regulation (EU) no. 537/2014, the Report to the Internal Control and Audit Committee (the so-called "Additional Report"), with which it illustrated:

i) the main aspects of the auditing;
ii) the levels of significance for the consolidated financial statements and for the separate financial statements;
iii) the audit plan;
iv) the scope and method of consolidation;
v) the audit methodology and measurement methods applied in the consolidated and separate financial statements;
vi) the areas of focus related to the consolidated and separate financial statements;
vii) the activities carried out by the audit team.

The Report does not indicate significant deficiencies identified in the Internal Control System with respect to the financial reporting process. The Board was informed of certain shortcomings and/or areas for potential improvement in the Internal Control System in relation to the financial reporting process, assessed by the Auditor as "not significant".
The main subject areas dealt with during the exchanges of information carried on with PwC were related to:

- the reconciliation of the receivable and payable items in relation to Roma Capitale. In this context the Board recommends that the management should continue in the constant attention to precise observance, in relations with Roma Capitale, of the practices and conditions applied in transactions with non-related parties. The financial statement documents show that, on 11 August 2022, with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: ACEA S.p.A.- Recognition of the perimeter of the payable situation and launch of the consequent procedures", the City Executive Committee recognised the scope 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. Regarding the aforementioned resolution, discussions are still ongoing between Acea's management and Roma Capitale aimed at defining Acea's overall credit position in terms of the public shareholder in relation to the contract governing the public lighting service;
- the purchase price allocation referable to the companies included in the consolidation scope. During the last few years the Acea Group, in keeping with its business plan, has implemented a series of activities aimed at expanding the Group in its operating sectors. In particular, the transactions concerned both acquisitions and the revision of shareholders' agreements of associated companies that led to their inclusion in the consolidation scope. Following the acquisition of control, and for the purposes of the consolidated financial statements, the Company is required within the term of 12 months from the event to allocate the purchase price on the basis of what is prescribed by IFRS3.

In accordance with the recommendations of the joint Bank of Italy - CONSOB - ISVAP document no. 4 of 3 March 2010, the impairment test procedure governed by IAS 35 received the favourable opinion of the Control and Risks Committee and was approved by the Board of Directors-
The Board of Statutory Auditors checked the adequacy, from the methodological point of view, of the impairment testing process to which the accounting assets involved are subjected.
The Company appointed an external entity to verify all the substantial elements in the impairment process for this test and this did not find any critical aspects to be noted in the present report.
This independent advisor showed how, in carrying out the impair-

ment test as of 31 December 2022, Acea used the forecasts formulated in the last business plan approved at the Board of Directors' meeting, updated where necessary by Management, to take into account regulatory and/or management changes that had occurred in the meantime. For companies subject to concessions, the company's whole life plans for the duration of the concession were used inertially.
With regard to that issued by ESMA, referenced by CONSOB, and reported in the guidelines of the OIV discussion paper on the development of the impairment test for non-financial assets (IAS 36) following the war in Ukraine, the independent advisor confirmed how Acea has developed a risk analysis with methodologies appropriate to industry best practices.
The results of the impairment test show some overall impairments at the level of the consolidated and separate financial statements, including a number of situations that are identified as requiring monitoring, which are presented in the documents submitted for your approval, to which we refer.
While the market capitalisation of Acea is higher than the value of the Group's shareholders' equity, a second-level impairment test was in any case also carried out.
The Board of Statutory Auditors also acquired information from the Auditing Firm with reference to the activities performed during the auditing procedures relating to:

- ATO 5 S.p.A. – where the significant issues relate to the exact quantification of the 2012- 2017 concession fees, the treatment for tariff purposes of the differences compared to the fees allocated in the tariff in previous years, the quantification of payables for 2006-2011 concession fees, the tax, administrative and regulatory proceedings in process and the approval by the area authority of a tariff related to the biennial update 2022-2023; In this context, the directors of ACEA Ato5 confirmed the presence of significant uncertainties that could give rise to significant doubts about the company's ability to continue as a going concern, with particular reference to the outcome of the Technical Panel with the Area Authority aimed at defining the mutual items and the positive acceptance of the application for economic/financial rebalancing presented on 13 December 2021, currently being prepared for re-submission by the company. Faced with the situation of financial imbalance that has arisen, and without prejudice to the actions by Acea aimed at securing the subsidiary, the directors of the subsidiary have, nevertheless, initiated a series of actions aimed at improving its financial position, including the rescheduling of past debts by signing repayment plans with third-party and intercompany counterparties, which provide for payments over periods of more than 12 months, and rescheduling debts arising in 2022 through the systematic use of Reverse Factoring with positive effects on working capital. Significant uncertainties regarding business continuity, such that the independent auditing firm is unable to express an opinion on the subsidiary's separate financial statements, have also resulted in an impairment requirement, as represented in the financial statement documents submitted for your approval, to which we refer;
- DEMAP SpA - where the fire that occurred in 2021 involving the plants and the recent authorisation granted to a competitor company for a plant located in the same area, with such characteristics to allow it a favourable competitive environment, have led to a redesign of the corporate business plan so as to give rise to an impairment of the investment and consequent assessments, which are ongoing, in relation to the strategic developments of the investment.

The Board of Statutory Auditors, in addition, acquired information with reference to the process of adjusting the calculation of the Provisions for Impairment of Receivables launched by Acea through the creation of models compliant with the methodologies provided for in IFRS9 (simplified method). The Board was also informed that, due to the current macroeconomic environment, Acea deemed it appropriate to incorporate a corrective factor in the credit risk assessment to anticipate a possible deterioration in the creditworthiness of the counterparties in the portfolio.
The financial statement documents show the effects of the solidarity contributions introduced by Article 37 of Decree Law 21/2022 and Law 197/2022, paragraphs 115 to 119, as well as those resulting from the specific measure introduced by Decree Law no. 4 of 27 January 2022, converted into Law no. 25 of 28 March 2022 (the so-called DL Sostegni ter), in Article 15-bis, aimed at guaranteeing assistance in containing high energy costs from operators producing renewable energy.
We can inform you that, with reference to financial year 2021, the Board forwarded during 2022 to the Board of Directors the PwC's Additional Report accompanied by its own observations.
The Board of Statutory Auditors examined the declaration on the independence of the auditing firm, pursuant to article 17 of Italian Legislative Decree 39/2010, which does not describe situations which would have compromised its independence or reasons for incompatibility under the terms of articles 10 and 17 of the same decree and of the related implementing provisions.
The Board of Statutory Auditors also acknowledged the Transparency Report prepared by the Auditing Firm, published on its website pursuant to article 13 of Regulation EU 537/2014.
To this end, during the year and in compliance with the referenced provisions on audits, the Board approved in advance - after the related checks regarding potential risks for independence and the safeguarding measures adopted - the appointments for activities other than the independent audit conferred on PwC and the companies within its network.
On the basis of the information acquired, the Board notes that, during 2022, the PwC network, in addition to the audit assignments provided for by the shareholders' resolution, was paid a fee for other non-audit or audit-related services amounting to € 605 thousand. On this point, monitoring was also begun with the aim of verifying observance of the quantitative limits on the fees for non-auditing appointments provided for in article 4 of the aforementioned European Regulation. The Board attests that the limit was amply observed.
The external auditor periodically met with the Board of Statutory Auditors in accordance with the provisions of art. 150, paragraph 3 of the TUF for the purpose of exchanging reciprocal information, and did not bring to the attention of the Board any acts or facts considered reprehensible or irregularities that required the formulation of specific reports pursuant to art. 155, paragraph 2 of the TUF.

Supervision of the financial disclosure process

The Board of Statutory Auditors held periodic meetings with the Financial Reporting Manager (hereinafter "Reporting Manager"), appointed under the terms of Italian Law 262/2005, during which it did not report significant shortcomings in the operating and control processes that could have affected the adequacy and effective application of the administrative-accounting procedures for the purpose of correct economic and financial presentation in compliance

with the accounting standards.
This presentation is confirmed by what is stated in the "Report on the Financial Reporting Manager's activities for the purposes of issuing the declaration provided for in art. 154-bis of the Consolidated Finance Act on the annual financial report at 31 December 2022".
For the purposes of attestation of the separate and consolidated financial statements, the Reporting Manager operated according to what is defined in the "Acea Group Management and Control Model pursuant to Italian Law 262/05" (hereinafter also "262 Model"), approved by the ACEA's Board of Directors and by the Boards of Directors of the companies "relevant for 262 purposes".
The successful implementation of controls in administrative and financial procedures, ascertained by the process and risk owner and the control owner through the information system as part of the Group's internal Certification Process, is corroborated by the implementation of an independent test Plan defined by the Reporting Manager, aimed at ensuring that the controls are effectively implemented and are effective with respect to the target set.
From the examination of the certificates made through the information system, the Financial Reporting Officer highlighted that an adequate and operational Internal Control System has emerged, with some areas for improvement, for which specific project activities are planned.
From the examination of the certificates carried out by the Companies through the information system, the Financial Reporting Officer therefore stated in the annual report that the Group's control system inherent in financial reporting is "standardised" (i.e., adequate, operational and documented).
As a result, ACEA's Financial Reporting Officer concluded that they could sign, without objection, the attestation of ACEA's separate and consolidated financial statements as at 31 December 2022.
The Reporting Manager also confirmed that he had financial autonomy, to be exercised in harmony with the Company's general guidance and observing the existing procedures, discussed with the delegated administrative body on approval of the annual budget; on this point he specified that the budget available in 2022 was adequate and was used to provide operational support for the management of the 262 Model and to perform auditing activities on the effective operation of the Internal Control over Financial Reporting System.
In the light of the information received and the documents examined, having noted the activities under way, also considering the support provided to the Reporting Manager by the Internal Audit Function, which has specialist IT skills available to verify the design and functioning of the IT General Controls, the Board of Statutory Auditors has no observations to make to the Shareholders' Meeting on the functioning and adequacy of the administrative accounting system.

Supervision of the non-financial reporting process

In the context of the performance of the functions attributed to it, the Board of Statutory Auditors supervised – among other things meeting periodically with the structure responsible and discussing with the Auditing Firm – the observance of the rules contained in Italian Legislative Decree no. 254 of 30 December 2016, in particular with reference both to the preparation process and to the contents of the Non-Financial Statement.
The 2022 Sustainability Report/NFS has been prepared in accordance with the updated and current version of the Global Reporting Initiative (GRI Standard). The document includes the disclosures required by EU Regulation 2020/852 (Taxonomy), as indicated with reference to its second year of application: eligibility and alignment of environmentally sustainable activities for the first two environmental objectives (climate change mitigation and adaptation).
To that end, having examined the declaration made by the Auditing Firm pursuant to article 3, paragraph 10 of Italian Legislative Decree 254/2016 and the declaration made by the same relative to Report on the Consolidated Financial Statements pursuant to article 4 of the CONSOB Regulation implementing the above Decree, the Board did not identify any issues of non-compliance and/or breach of the reference regulations.
The attestation includes a limitation of scope with reference to the recent EU taxonomy of sustainable activities.
The Board of Statutory Auditors examined, to the extent of its responsibility, the process that led to the definition and, consequently, to the identification of the corporate scope for the consolidated non-financial statement for financial year 2022. The Board also acquired from the competent internal structures information on the materiality analysis.
The Board of Statutory Auditors notes that the sustainability management events assume today great significance, in a perspective integrated with the economic and financial data, in the light of the evolutions of the competitive and legislative context and the requirements of the investors, institutions and stakeholders.
Consistent with this is, therefore, a course of action aimed at planning and achieving sustainability targets, in coordination with the business planning process, the implementation of a performance management system, integrating the ESG targets into it, and the definition of an enterprise risk management system with the purpose of integrating the ESG risks into the taxonomy of the risks in question.
Consistent with this approach, the Board of Statutory Auditors, while positively acknowledging the activities concluded and/or being completed, has formulated the recommendation to promote all the necessary initiatives (also involving training and information) to strengthen the related internal control system (internal control system for non-financial reporting), to be developed in line with what has already been done with reference to the internal control system concerning the reporting of financial data.
As part of the initiatives to strengthen ACEA Group's Sustainable Corporate Governance, the Ethics and Sustainability Committee has expressed its interest in requesting support to update the regulations governing its own duties and those of the Board of Directors in line with regulatory developments (CSRD, EFRAG, CSDD) and leading practices in the ESG field.

Supervision of the adequacy of the internal control system, risk management and organisational structure

Internal Control System

The Board of Statutory Auditors, in noting the findings of the Corporate Governance Report on the adequacy and effective functioning of the Internal Control and Risk Management System ("ICRMS"), reviewed the 2022 Reports of the Internal Audit Function, the Control and Risks Committee, the 231 Supervisory Body, and the second-level control entities inherent in the Risk & Compliance Function.
In particular, the Board of Statutory Auditors points out that during the year:

- the necessary functional and informative liaison was maintained with the Control and Risks Committee, the Oversight Committee and the Heads of the Internal Audit and Risk & Compliance Functions on the methods of carrying out the assessment and control tasks entrusted to them, relating to the adequacy, full operation and effective functioning of the internal control and risk management system, as well as the results of the audits performed by the Internal Audit Function in accordance with the audit plan approved by the Board of Directors, the results of the risk assessment carried out by the Risk Management Function and the results of the activities pertaining to the second-level control entities of the Risk & Compliance Function;
- it noted that the Control and Risks Committee issued the relevant opinions, as required by the Code of Conduct for Listed Companies, without finding any critical issues to be included in this report.

The Manager of the Internal Audit Function periodically updated the Board on the activities carried out and the main results of the audits performed, communicating the corrective actions identified and discussed with the Company's management, indicating implementation deadlines and specific implementation responsibilities, subject to periodic monitoring by the Internal Audit Function.
On the basis of the audit activities carried out, information exchanges between the Internal Audit Function and the second-level control entities, ongoing planning activities, and discussions held with the Control and Governance Bodies, the Manager of the Internal Audit Function reported that there were no elements that emerged such that the Internal Control and Risk Management System was inadequate, not operational, or inconsistent with the current Guidelines.
This assessment of the Internal Control and Risk Management System takes into account not only the individual areas for improvement identified during the audits performed, but also the projects launched by the Company and nearing completion, aimed both at strengthening the structural components of the Internal Control and Risk Management System and at incorporating these elements into the more general organisational and corporate governance structures.
The testing activities aimed at ensuring that the key automatic controls, in the context of the administrative and accounting procedures, work correctly and are effective with respect to the objective set, had positive results, despite there being some areas for improvement related to IT governance and to the definition of an SoD (segregation of duties) matrix.
The audits carried out by the Internal Audit Function highlighted the absence of critical aspects that could adversely affect the reliability of the Internal Control and Risk Management System as a whole, also the residual situations in which the internal regulatory system has not yet been updated with respect to the best practices used.
Discussions held during the year with the managers of the second level control entities of the Risk & Compliance Function, and their reports, show an adequate resilience of the internal control and risk management system, highlighting some aspects for improvement already included in the improvement planning activities in progress.
The overall analysis of the aforementioned findings shows that no situations were found in operations that would undermine the resilience of the internal control and risk management system adopted by Acea and its subsidiaries, which was therefore declared to be functioning, adequate and consistent with the current Guidelines, despite the fact that there are some planning activities attributable to components of the same that were not finalised in 2022.

In particular, attention should be drawn to those aspects, which, in the short term, must be fully defined as they are necessary for the planned evolution of the Control Model.
We refer to the need to complete the planning activities associated with implementing the Group Regulations, updating the Internal Control System Guidelines to account for the intervening changes in Acea's organisational structure, as well as preparing the Governance Guidelines, with the appropriate definition of the related information flows, implementing the Guidelines on Anti-Corruption, Antitrust and Regulatory Compliance and completing the SoD project with the adoption of the related Policy.
The Internal Audit Manager informed the Board that the functional hierarchical positioning, the constant dialogue and the exchange of information with the company's top management, the board committees and the control bodies ensured that the Function had full access to all the useful information for performance of its duties, full independence and autonomy of judgement.
With reference more in general to the management of remedial actions and, in particular, in relation to observance of the deadlines for finalising the activities, the Board requested ever-greater empowerment of the structures that are owners of the actions and greater incisiveness of the Corporate Internal Control Functions in requesting closure of objections.
As part of its required supervisory activities, the Board of Statutory Auditors also considered the contents of the information exchanges and periodic reports of the Manager of the Integrated Certification Systems Unit of Acea.
Most of the companies of the ACEA Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.
The Manager showed how all audits related to the maintenance of existing certifications for 2022 ended with positive results. Activities are in progress with the aim of obtaining 37001 certification in the anti-corruption field. Overall, no significant critical issues were found as a result of the audits.
Similarly, the Board of Statutory Auditors monitored issues related to work safety in the Acea Group through information exchanges and analysis of periodic reports by the Head of the Prevention and Protection Service. The activities carried out by the latter and the documentation they have acquired, confirm the existence of an effective occupational safety management system in place, with no significant critical issues to be included in this report.
The Board also ensured, through information exchanges, and the analysis of periodic reports, with the Data Protection Officer (hereinafter "DPO"), that the Company has implemented the measures envisaged by the Privacy Authority and acts in substantial compliance with the provisions of EU Regulation no. 679 of 27 April 2016 ("GDPR"), of Italian Legislative Decree no. 196 of 30 June 2003, as amended by Italian Legislative Decree no. 101 of 10 August 2018 and other applicable regulations on the protection of personal data.
The DPO reported on the Group's privacy governance framework, implemented through the adoption of the Privacy Governance Guidelines. This is a model that is applicable for the Group, which has taken the Parent Company as the privileged field of observa-

tion, in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at Companies with a logic of priority at the core processes of each business area. The project is inclusive, among other things, of the DPIA - Data Protection Impact Assessment activity.
The DPO highlighted how the Risk & Compliance Function has developed and adopted a Controls Framework for Governance and Monitoring (second level) of Privacy Security Measures that aims to monitor and control regulatory, sanction and business risks inherent in the areas of Cyber and Data Protection.
The DPO then described the gradual and continuous improvement in GDPR compliance within the Group, with some areas for improvement, for which they reported the necessary project activities initiated.
The Board of Statutory Auditors reaffirms that it considers the protection of personal data held by the Acea Group to be a founding value of the corporate identity, and as such it must necessarily become a constituent element of the management of the company's processes and procedures at all levels, with a widespread awareness among employees of the importance of what is needed for this purpose.
The Board met the manager of the Regulatory Function who has activated, among other things, a regulatory compliance project in order to oversee the management of regulatory risks, the completion and implementation of which the Board considers hugely significant for achieving an overall assurance of compliance for the company bodies.
With reference to the antitrust compliance programme, the information exchange and analysis of reports rendered by the antitrust manager showed that, following the first phase of implementation, the various components of the model aimed at preventing, managing, and mitigating risks arising from potential anticompetitive behaviour or in violation of consumer rights theoretically realisable within the scope of the company's business, have been further developed. In this context, the Antitrust Compliance and Consumer Protection Guidelines were defined, with which Acea, as the Group's Holding Company, aimed to provide the Companies falling within the scope of applicability of the Programme with guidelines for the implementation, each according to its own specificities, of the Antitrust Compliance Model, within a single common framework. Similarly, the Organisational Regulations for Antitrust Compliance and Consumer Protection have been updated, by which the responsibilities and duties of Acea's Antitrust Representative (Holding Company Antitrust Representative) and Company Antitrust Representative are identified.
In a notice dated 13 December 2022, the Antitrust Authority ("AGCM") commenced proceedings against Acea Energia S.p.A. ("Acea Energia"), alleging the existence of an unfair commercial practice due to the way the Company implemented Article 3 of Legislative Decree no. 115 of 9 August 2022 (so-called "DL Aiuti bis"), also formulating a request for information in relation to the Company. In this regard, please refer to the information given in the financial statements documents submitted to the Shareholders' Meeting.

This risk was qualified as possible on the basis of the assessments carried out by the assigned lawyers regarding the risk of losing the case, thus making it unnecessary to make any kind of provision in the financial statements.
The exchange of information and analysis of the periodic reports prepared by the Ethics Officer, responsible for monitoring observance of the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders, as well as the management of an open, transparent and confidential system that allows anyone to contact this Ethics Officer and report alleged violations of the Code of Ethics ("Whistleblowing" system), the law, the internal rules governing the Group's activities and any conduct in breach of the principles of conduct that the Acea Group has given itself, highlighted how the Ethics Officer, in agreement with the Ethics and Sustainability Committee, had commenced a review of the Code of Ethics that led to the adoption in 2022 of a new Code of Ethics, replacing the 2018 Code.
In their periodic reporting, the Ethics Officer described how a number of reports were received in 2022, some of which were not relevant. Those that were relevant were all analysed, some of these were dismissed as unsubstantiated or judged to be unfounded, and for others, enhanced controls of corporate procedures were ordered.
During an informational exchange with the Board, the Ethics Officer also noted that they had analysed an anonymous letter received from the Company's Chairperson, which qualified as a whistleblowing notification, and had dismissed it as it was judged to be devoid of circumstantial evidence. Following further reports on the matter in the press, the Ethics Officer received a board mandate, issued in consideration of the Ethics and Sustainability Committee's recommendations in agreement with the Board of Statutory Auditors, to carry out the in-depth investigations deemed appropriate. The Board of Statutory Auditors therefore continues to await the outcome of the ongoing investigations.
The Board of Statutory Auditors indicated that it would be advisable to consider a different composition of the Ethics Officer, aimed at strengthening the presence of external members from outside the Company.
The Board of Statutory Auditors also ensured a continual exchange of information with the Oversight Committee.
They showed how the current Organisational Model is being revised through an in-depth process of new analysis of the risks associated with the company's processes, with the aim of updating it to include the additional offences recently introduced in Legislative Decree 231/2001 and to enhance and reflect in the Model the changes that have taken place in terms of organisational structures, governance and the internal control system.
They also described how work is ongoing to resolve the areas of improvement identified with reference to the model currently in place. The Board of Statutory Auditors, in agreement with the Oversight Committee, has recommended, in this regard, the conclusion of Model updating activities and corrective actions referring to the areas of improvement identified with reference to the model currently in force with absolute timeliness, with particular reference to the aspects of improvement inherent in the purchasing procedure.
In order to mitigate the risk of corruption, Acea has initiated a planning process to obtain ISO 37001 certification under which Anti-Corruption Guidelines have been defined. The Board of Auditors considers the timely completion of the initiated project to be relevant.
Taking into account:
- guiding, control and monitoring activities for second level controls carried out by company structures other than those in which the risks are managed;
- that the discussions held during the year with the managers of the 2nd level audits and their reports show adequate resilience of the system and highlight aspects for improvement already included in the planning activities in progress;
- the structure, functioning and results of activities carried out by

the Internal Audit Function;
- that the audits carried out by the Internal Audit Function highlighted the absence of critical aspects that could adversely affect the reliability of the system as a whole, also the residual situations in which the internal regulatory system has not yet been updated with respect to the best practices;
- that the reports reviewed showed that, as part of the monitoring of a number of significant processes in the control system, the various extraordinary phenomena were analysed and verified without any irregularities emerging as a result of such activities;
- that the testing activities aimed at ensuring that the key automatic controls, in the context of the administrative and accounting procedures, work correctly and are effective with respect to the objective set, had positive results, despite there being areas for improvement related to IT governance and to the definition of an SoD matrix;
- interactions and information exchanges with the Boards of Statutory Auditors of subsidiaries, the Oversight Committee, the Financial Reporting Officer, the Control and Risks Committee, or the Audit Firm;
- ongoing project activities aimed at realising the identified improvement actions of the Internal Control and Risk Management System.

We conclude by highlighting how, even if the residual corrective actions identified in the context of the audit activities conducted in recent years, which to date have not yet been completed, will find their definition only through the completion of the updating of the corporate regulatory system and in the various projects underway, the overall analysis of the information analysed by the Board shows that the residual design gaps highlighted in the activities of the corporate control bodies have not generated, in operations, situations such as to undermine the resilience of the internal control and risk management system adopted by Acea and its subsidiaries, which is therefore functioning, adequate and consistent with the current Guidelines, despite the fact that there are a number of project activities attributable to components of the same that have not been finalised in 2022 and whose timely completion is recommended.

Risk Management System

The exchange of information and the reports rendered by the risk management structure represented the results of the Group's risk assessment process for the purpose of identifying and analysing the main risk scenarios relevant for the Group, highlighting any response strategies prepared by the management to reduce the risks to a severity level considered acceptable and in keeping with the business plan objectives.
Said risk assessment methodology requires that the analysis and assessment be carried out according to and consistent with the 2020-2024 Business Plan (and any subsequent updates).
The information rendered showed that the Group's risk profile remained in a largely constant trend, both in terms of the evolution of risk scenarios by severity and distribution scenarios by Business Line, demonstrating the Group's substantial resilience to changing conditions in the external environment (e.g., pandemic, war, commodity price volatility, inflation, cyber attack).
The Risk Management Function stated that it was able to note the full implementation of the mitigation actions identified to limit the risk scenarios as proposed by the management in the risk assessment phase.
The Company also defined a Framework of Key Risk Indicators, aimed at enabling quantitative monitoring over time of exposure to the risks identified at the Group level. The Board recommends that said periodic monitoring be shared not only with management but also with corporate bodies in periodic information reports.
Similarly risk identification and assessment activities were implemented both in the processes aimed at acquiring businesses (risk analysis, both during the preliminary and Due Diligence stages with regard to the company to be acquired, for the purpose of supporting corporate decision-making with risk-informed analysis, developed in an integrated manner, strengthening assessments of extraordinary transactions by acquiring useful data and information about the complexity and costs of the post-closing integration plan for companies acquired by the Acea system) and in the planning and budgeting processes.
The Company also approved an update of the Risk Policy (which governs the roles and responsibilities of the subjects involved and the control activities relating to Enterprise Risk Management) to include in it what is related to the process aimed at definition and analysis by the Board of Directors of a Group Risk Appetite Framework (currently still limited to qualitative assessments of consistency of the risk scenarios, net of the mitigation actions identified by the management, with the corporate objectives).
During the previous year a commodity risk management policy was also approved (with particular reference to the activities involving the energy market), of great importance given the risks connected with the volatility of energy commodities, and of which the Board of Statutory Auditors recommends continual and constant application with a view to prudence.
In this regard, management confirmed that the activities carried out by the Commodity Risk Control Unit of the Finance Function within the Administration, Finance and Control Department ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia, 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 accordance with the guidelines for the management of the risk related to commodity trading activities on futures markets.
Activities are still in progress with the aim of developing the risk scenarios identified in an overall taxonomy of business risks to be combined with the related risk owners and the business processes assigned as their responsibility, both at the corporate level and at the level of the various corporate businesses.
As also the activities aimed at identifying the Key Risk Indicators to be included in the Risk Appetite Framework so as to develop the current assessments by the Board of Directors, of a qualitative type, into an overall system of quantitatively defined limits as a framework of reference for the management's operations.
Lastly the Board of Statutory Auditors reaffirms its conviction that, given that the Acea Group has a significant presence in the management of regulated infrastructures of strategic significance for the supply of essential public services to the communities of reference in which it operates, and has developed significant planning initiatives pertaining to said strategic infrastructures, it is necessary that planning and execution activities be developed with considerable attention to the implications related to maintaining the Group's net financial position over time, compatible with the reference economic and equity situation.

Organisational Structure

The Board of Statutory Auditors examined the documentation concerning the overall organisational structure of Acea. The Board therefore noted the existence of:

- an organisational chart and related company documentation detailing the roles and responsibilities of the organisational structures;
- a system of delegations exercised in accordance with the roles and powers assigned to each of the functions/committees involved;
- corporate regulations for the exercise of governance by Acea as part of its functions of guidance, coordination and control of the Group's legal entities;
- company regulations for the performance of the activities of each managerial function.

The Board was informed about the activities carried out in 2022 to update the group regulatory system.
Similar attention should be paid to the necessary development of the ACEA Group's organisational model and the method of making use of the management and coordination powers and duties held by the Parent Company.
An extensive review of the information analysed by the Board did not reveal any situations that would undermine the effectiveness of the organisational structures, which are therefore adequate for the Company's operations, despite the fact that the aforementioned planning activities are still in progress.

We can note also that the Board of Statutory Auditors believes that the qualitative and quantitative adequacy of the corporate structures must be guaranteed and assessed also considering the presence of (or the possibility/opportunity of strengthening and/or implementing) IT supports and automation processes that improve their efficiency and operating quality.

Remuneration policies

The Board of Statutory Auditors acknowledged that the Board of Directors approved, insofar as it was responsible under the terms of current legislation, the Report on the remuneration policy and on the remuneration paid to the Group's personnel including the section "2022 Remuneration Policy" and the section "Remuneration paid" as well as the related Illustrative Report to the Shareholders' Meeting to which the documents will be submitted.
The Policy prepared for 2022 confirms substantially the arrangement of financial year 2021, taking into consideration the contents of the 2022–2024 Strategic Plan approved by the Board of Directors.
The Board of Statutory Auditors considered commendable, among other things,

- as regards performance targets, the setting of ESG targets related to the implementation of what is provided for on this point in the Strategic Plan;
- the adoption of the principles and recommendations provided for on the subject of remuneration policies in the Corporate Governance Code. In particular, the Policy is functional to pursuance of the company's sustainable success.

The remuneration policy defines the criteria and guidelines for remunerating members of the Board of Directors, including Executive Directors and Directors with special, for Executives with Strategic Responsibilities and for members of the Company's Board of Statutory Auditors, over a period of time coinciding with the financial year in course.
The document was prepared in compliance with the new regulatory framework (art. 123-ter of the Consolidated Finance Act), revised at a primary level by Italian Legislative Decree 49/2019, containing the provisions required for the implementation of Directive (EU) 2017/828 of the European Parliament and Council of 17 May 2017 ("SHRD II"), which amends Directive 2007/36/EC ("SHRD"), as regards encouraging the long-term commitment of shareholders.
Additionally, it was prepared in compliance with the contents of CONSOB resolution 21623 of 11 December 2020, which implemented what is provided for in the SHRD II.

Corporate Information System

The Board of Statutory Auditors also paid particular attention to the various initiatives launched by the Acea Group with regard to development of the corporate information system and the protection of business continuity, with a particular focus on cybersecurity issues.
The Board has always paid specific attention to the Group's Information Technology system and to its overall evolution, to be considered of essential importance in support of the business and control activities, in order to avoid the adoption of contingency actions of an organisational kind, with impacts in terms of both economic and human resources.
More in detail, we can state also that the Board has stressed the importance of paying particular attention to the strengthening of Cybersecurity, providing for actions to: (i) increase the security of the most-exposed areas (for example the Cloud, Online Services, Third Parties), (ii) develop solutions aimed at managing security incidents, at Business Continuity and at Crisis Management, (iii) consolidating the data protection solutions (classification, encryption, masking, tracing) in accordance with the General Data Protection Regulation and Privacy rules.
Further highlighting the importance of that described above, it should be noted that, in February 2023, Acea was the victim of a ransomware attack. At present, an investigation by the Public Prosecutor of Rome is under way, utilising the bodies of the CNAIPIC Postal Police - PG to analyse the incident. The Financial Reporting Officer stated that the event did not require any adjustments to the figures or information provided for the preparation of Acea Group's consolidated financial statements and financial statements as of 31 December 2022.
Noting how Acea was able to limit the damage created by the ransomware attack thanks to the protection system implemented, the Control and Risks Committee, together with the Board of Statutory Auditors, nevertheless recommended the relevant structures to:
- promote specific training for the Group's employees on cybersecurity, also considering the opportunity to conduct an audit aimed specifically at clarifying the current level of training on the subject and identifying possible improvement actions;
- prepare, as soon as possible, a cybersecurity framework policy/guideline for approval by the Board of Directors;
- provide for escalation mechanisms to ensure adequate reporting to corporate bodies should events of such magnitude occur, possibly regulating them within the above policy/guideline
The Board recommended also the adoption of suitable initiatives with a view to continual improvement and strengthening of the governance model and oversight of IT risks, the technological infrastructure, the IT architecture, the data architecture and the IT operating model, in order to increase further the level of oversight

of the systems and the quality of the services provided and to guarantee the maximum levels of security of the information system.

Further activities of the Board of Statutory Auditors and disclosure required by Consob

On 23 September 2022, the Board of Directors of Acea acknowledged (a) the communication of the shareholder Roma Capitale of 20 September 2022, with which the latter formulated a request for replacement of the company head and (b) the subsequent communication of the shareholder Roma Capitale, regarding the indication of Fabrizio Palermo as candidate for the position of member of the Board of Directors and next Chief Executive Officer of Acea. The Board also acknowledged the launch of the enquiry activities by the Company's competent structures regarding the consensual termination of the relationship with Mr Giuseppe Gola and the entry of the candidate, Mr Fabrizio Palermo, under the terms of art. 2386 of the Italian Civil Code, observing the current provisions of the laws and by-laws.
On 26 September 2022, the Board of Directors of Acea completed enquiry activities and approved the terms and conditions of the agreement for the consensual dissolution of the relationships in being with Mr Giuseppe Gola, which the latter accepted. On the basis of this Mr Gola renounced with immediate effect, the positions of Director, Chief Executive Officer and Strategies, Production and Foreign Manager, and all delegations and powers conferred on him and all other positions held on behalf of the Company and/or the Group. The termination agreement, in accordance with what is indicated in the policy on the subject of remuneration approved by the Company's Shareholders' Meeting (the Remuneration Policy) provided for the recognition in favour of Giuseppe Gola of the maximum amounts provided for in the "Executive Exodus Management" Policy, approved by the Board of Directors of Acea with resolution no. 33 of 21 December 2011, which makes reference to the national collective bargaining agreement for Executives of Public Utility Service Companies. On the same date the Board of Directors also appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, Mr Fabrizio Palermo as a new Director of the Company. Fabrizio Palermo was therefore appointed by the Board of Directors as the new Chief Executive Officer of Acea.
On 17 February 2023, the ACEA Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, Barbara Marinali as a new non-executive Director of the Company, replacing Michaela Castelli who resigned on 14 February 2023, appointing her as Chairperson of the Board of Directors.
The documents submitted for your approval include the report prepared by Acea's Board of Directors pursuant to Article 125-ter of Italian Legislative Decree no. 25 of 24 February 1998, as subsequently amended and supplemented ('TUF') and Article 72 of the Regulations adopted by CONSOB Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (the 'Issuer Regulations'), in line with the indications contained in Form 3 of Annex 3A to the Issuer Regulations, which aims to illustrate the proposed amendments to the By-Laws as per item 1 on the agenda of the Extraordinary Shareholders' Meeting of the Company.
These proposals were developed by the Board of Directors with the threefold purpose of: (a) expanding the quantitative composition of the current Board to ensure, among other things, better structure of the positions and functions within the management body, also taking into account the requirements to effectively perform administrative functions and monitor management and for balanced composition of board committees; (b) ensuring that the minimum number of independent directors is identified by making explicit reference to the recommendations provided by the new Corporate Governance Code — as well as the relevant provisions of the law — which states that, in large companies with concentrated ownership, i.e. Acea, at least one third of the members of the board of directors must meet the independence requirements; (c) aligning the number of independent directors to be included in the lists of candidates for the renewal of the management body with the expansion of the quantitative composition of the board of directors, coordinating the related provisions on the placement of these directors on the list.
In relation to the aforementioned proposed amendments, the Board of Directors has assessed, including with support from its advisors, the lack of grounds to exercise the right of withdrawal envisaged by current laws and the full legitimacy to proceed with a single Shareholders' Meeting to amend the Articles of Association and renew the Board of Directors — on the basis of the new wording of Article 15 of the Articles of Association, subject to relative approval — with efficacy upon registration of the resolution amending the Articles of Association with the competent Business Register.
As required by art. 149 of the TUF, in the performance of its duties the Board of Statutory Auditors:

- Over saw the processes of effective implementation of the corporate governance regulations provided under the codes of conduct drawn up by regulated market management or by category associations with which Acea S.p.A. declares its compliance. Pursuant to art. 123-bis of the Consolidated Finance Act and art. 144-decies of the Issuers Regulation, Acea S.p.A. prepared the annual "Report on Corporate Governance and Ownership Structures". The Board of Statutory Auditors has verified that the Report on Corporate Governance and Shareholdings contains all the information required by Article 123-bis of the TUF as well as other disclosures made in compliance with the regulations governing issuers listed on regulated markets;
- It monitored the adequacy of the instructions given to subsidiaries pursuant to art. 114, paragraph 2 of the TUF. While appreciating the efforts made, the Board of Statutory Auditors nevertheless recommended to the relevant corporate functions of the parent company to direct the subsidiaries' boards of directors to fully approve and adopt all Group policies. To this end, the Board of Statutory Auditors recommended that any differences in interpretation and application made by the subsidiaries be carefully monitored, also calling for the completion of internal regulations through the issue of specific operating instructions;
- It exchanged information with the Boards of Statutory Auditors of directly controlled companies as required by art. 151, paragraph 2, of the TUF. In order to allow for this exchange of information, a questionnaire was sent to all the control bodies of the subsidiaries concerning the supervisory activities carried out by them during 2022. From the analysis of these questionnaires, which were completed and returned by the control bodies of the subsidiaries, as well as the meetings held with some of the subsidiaries' boards of statutory auditors, no issues were raised or facts emerged worthy of note in this report. For directly controlled foreign companies, the supervisory activities of the Board were developed with the cooperation of the Internal Audit Function.

On 16 February 2023, the Board of Statutory Auditors received a cautionary written communication from the control body, phrased pursuant to Article 2408 of the Italian Civil Code with reference to certain events that appeared in the press concerning the Company's Chief Executive Officer. In this regard, the Board of Statutory Auditors notes, as previously represented in this report, that discussions have already been promptly initiated with the relevant internal structures, which have been asked to carry out the in-depth investigations required to provide the necessary information that will be rendered to the Control Body upon completion, by the structures concerned, of the activities underway. The Board reserves the right to present its considerations and proposals, if any, upon the outcome of the aforementioned activities.

During the course of the financial year, the Board of Statutory Auditors issued opinions and expressed the observations that current legislation assigns to its remit.

In addition, the Board of Statutory Auditors reports:

- that it acknowledged that the Board of Directors has positively assessed the adequacy of its size, composition and operation, also in light of the results of the self-assessment that was performed with the support of an external consultant with the required requisites of independence;
- that the Board of Directors has approved a Policy for managing discussions with institutional investors, and all shareholders and bondholders of Acea;
- that the Board of Directors, in view of the upcoming renewal of the Company's Administrative Body, has drawn up qualitative and quantitative guidelines regarding the composition of the Board of Directors that the Shareholders' Meeting is called upon to elect, to which reference should be made;
- that, aside from board meetings, it attended off-site meetings and induction sessions;
- to have verified that its members meet the same independence requirements as those required of Directors in accordance with the recommendations of the Borsa Italiana Corporate Governance Code;
- that it found the correct application of the criteria and practices for ascertaining the requisites used by the Board of Directors to assess the independence of its members on an annual basis.

No separate meeting of the independent directors was held during the year, as they considered it unnecessary in view of the quality of the information received from the delegated bodies and their active participation in the Board of Directors and in the Board Committees. At present, the requirements of the Corporate Governance Code for Listed Companies for the establishment of the position of lead independent director are not met, given that the Chairperson of the Board of Directors does not hold the position of Chief Executive Officer and does not have a controlling interest in the company.

The Board of Statutory Auditors verified full compliance with obligations regarding regulated information, inside information or information required by the Regulatory Authorities.

The Board also received adequate reporting, with reference to the provisions of Articles 15 et seq. of the Market Regulations, regarding subsidiaries incorporated and regulated by the laws of non-EU countries from the Internal Audit Function, which conducted an analysis of entity-level ontrols from which it concluded that the control environment was substantially adequate to the requirements of the aforementioned Article 15.

The Board of Statutory Auditors noted that the Company has not been notified of any complaints to the Court under Article 2409, Paragraph 1 of the Italian Civil Code, nor has the Board had to make any complaints under Article 2409, Paragraph 7 of the Italian Civil Code. The Board did not have to intervene due to omissions of the Administrative Body pursuant to Article 2406 of the Italian Civil Code and did not make any reports to the Administrative Body pursuant to and in accordance with Article 25-octies of Legislative Decree 14/2019.

As a result of the supervisory activities carried out by the Board of Statutory Auditors, no reprehensible facts, omissions or irregularities have emerged that should be included in this Report.

The Board of Statutory Auditors does not deem it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to art. 153, paragraph 2, of the TUF.

Conclusions

In view of all the above, considering the content of the reports prepared by the external auditor, acknowledging the declarations issued jointly by the Chief Executive Officer and the Financial Reporting Manager, to the extent of its remit the Board of Statutory Auditors has not found any reasons preventing the approval of the proposal for the separate financial statements at 31 December 2022 and the dividend distribution formulated by the Board of Directors.

Rome, 28 March 2023

The Board of Statutory Auditors

Maurizio Lauri
Claudia Capuano
Leonardo Quagliata

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

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 Financial Statements

Opinion

We have audited the financial statements of Acea SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 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 Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 paragraph "Investments in subsidiaries and associates" of the notes to the financial statements which describe:

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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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the value of investments in subsidiaries and associates *Note 15 to the financial statements "Investments in subsidiaries and associates"* The Company recognised in the financial statements as of 31 December 2022 investments in subsidiaries and associates for an amount equal to Euro 2,059 million. Annually, the Company, in accordance with a specific internal policy, verifies the presence, if any, of impairment losses of investments in subsidiaries and associates in compliance with	We performed our audit procedures in order to evaluate if the method to estimate the recoverable amount used by the Company was consistent with what is envisaged by IAS 36 and by the evaluation practice, verifying the appropriateness of the types of cash flows used, their consistency with the Group's Business Plan and the mathematical accuracy of the quantification of the recoverable amount.

IAS 36 "*Impairment of assets*", comparing their book value with their estimated recoverable amount measured through the Discounted Cash Flow method (impairment test). Such verification is carried out on the main investments apart from the presence of any impairment indicators emerged during the year.
The impairment test 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 the financial statements for the year ended 31 December 2022, the Company's management had recourse to an external expert to perform the impairment testing.

As part of our audit activities, we paid particular attention to the risk that there could be impairment losses in the abovesaid investments, inasmuch as the process for the estimate of their recoverable amount is particularly complex and based on valuation assumptions affected by future economic, financial and market conditions which are hard to forecast.

In particular, with reference to the investee companies in relation to which impairment indicators were found (so-called Trigger events), we:

- verified the reasonableness of the main assumptions underlying the projected cash flows and the discount rates used to perform the impairment test (also through a comparison with the budget data deriving from external information sources, if available);
- compared the forecasts of the prior years with the corresponding final data and finally we verified the sensitivity analyses performed by the Company on investee companies, with particular reference to the subsidiary Acea Ato5 in relation to the uncertainties connected thereto.

As part of our audit activities, we were also supported by the PwC network experts in valuations.

Moreover, we assessed the independence, technical capabilities and objectivity of the external experts who were tasked by the Company management with carrying out the impairment tests.

Finally, we examined the adequacy and completeness of the disclosures provided by the directors in the notes to the financial statements in relation to the above-described matters.

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

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

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

Report on Compliance with other Laws and Regulations

Opinion 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 financial statements as of 31 December 2022, 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 financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2022 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

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 Acea SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the 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 financial statements of Acea SpA 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 financial statements of Acea SpA 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.

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 SEPARATE 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 separate financial statements at 31 December 2022.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:
   3.1 the separate 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,

   3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, 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