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FINANCIAL STATEMENTS

Acea Photo Contest
Giovanni Angeloni (areti)
Winner Category Innovation
Flaminia primary cabin

FORM AND STRUCTURE

GENERAL INFORMATION

The financial statements of Acea SpA for the year ended 31 December 2023 were approved by resolution of the Board of Directors on 5 March 2024, 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 2023 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 Consolidated Financial Managements are prepared using the going concern assumption and there are no significant uncertainties about the company as a going concern (as defined in paragraph 25 of IAS 1).
The financial statements for the year ended on 31 December 2023 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.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

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

CASH FLOW STATEMENT

Note that certain items have been reclassified in the Cash Flow Statement for better understanding of the figure and cash flow dynamics. Therefore, the figure for 2022 has also been restated for comparability.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

Assessment of the relevance of the accounting policy disclosure, based also on the "four step approach" called for in IFRS Practice Statement 2; below are the main impacts on the Consolidated Financial Statements at 31 December 2023;
For accounting periods beginning on or after 1 January 2023, the IASB has amended IAS 1, providing guidelines and examples to assist entities in applying the concept of materiality to disclosures on the accounting policies adopted. The IASB also amended the IFRS Practice Statement 2 to support these amendments to IAS 1, explaining and demonstrating application of the "four step materiality process" to the accounting policy disclosure.
The amendments are intended to help entities provide more useful information about the accounting policies adopted, by:

- replacing the requirement for entities to provide information on their "significant" accounting policies with the requirement to focus on their "material" accounting policies; and
- adding guidelines on how entities should apply the materiality concept when making decisions about the disclosure on accounting policies adopted.

The replacement of disclosures on "significant" accounting policies with "material" policies in IAS 1 and the corresponding new guidelines in IAS 1 and IFRS Practice Statement 2 may impact the disclosures on accounting policies prepared by entities. Determining whether accounting policies adopted are material or not requires greater use of professional judgement. The Acea Group has considered these amendments and has begun a gradual process of reviewing the information provided in the financial statements with reference to the material policies applied, also in the light of the varying nature of the parties that may potentially be interested in reading and understanding the information included in this document.
Material policies and criteria are illustrated below.

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.

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).

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.

CONSTRUCTION CONTRACTS IN PROGRESS

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

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded. The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.
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.

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.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset by applying the following percentage rates:

<table>
<tr><th></th><th colspan="2">Economic-technical depreciation rate</th></tr>
<tr><th>Description</th><th>Min.</th><th>Max</th></tr>
<tr><td>Instrumental systems and equipment</td><td>1.25%</td><td>6.67%</td></tr>
<tr><td>Non-instrumental systems and equipment</td><td colspan="2">4%</td></tr>
<tr><td>Instrumental industrial and commercial equipment</td><td>2.5%</td><td>6.67%</td></tr>
<tr><td>Non-instrumental industrial and commercial equipment</td><td colspan="2">6.67%</td></tr>
<tr><td>Other capital goods</td><td colspan="2">12.50%</td></tr>
<tr><td>Other non-capital goods</td><td>6.67%</td><td>19%</td></tr>
<tr><td>Instrumental vehicles</td><td colspan="2">8.33%</td></tr>
<tr><td>Non-instrumental vehicles</td><td colspan="2">16.67%</td></tr>
</table>

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.

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%.

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.

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 rights of use, representing the right to utilise the asset underlying the contract, in 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; and
- 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. 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 2023

IFRS 17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts" which defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS 4 "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 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. Amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

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 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.

The amendments and standards mentioned did not have any significant impact for Acea with reference to the financial statements nor did they require particular disclosures.

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

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

In January 2020 and October 2022, the IASB published amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by the right to defer settlement;
- that the right to defer settlement must exist at the end of the reporting year;
- that classification is not affected by the likelihood of the entity exercising its right to defer settlement.

Only if an implicit derivative in a convertible liability is itself an equity instrument does the maturity date of the liability not impact its classification. Additionally, a requirement was introduced to disclose when a liability deriving from a loan contract is classified as non-current and the right to defer settlement is subordinate to respecting covenants within 12 months.
The amendments are effective for years beginning on or after 1 January 2024 and must be applied retrospectively. At present, the Group is assessing the impact that these amendments will have on its current situation and whether it will be necessary to renegotiate existing loan contracts.

Amendments to IFRS 16 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.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, to clarify the characteristics of supplier finance agreements and request additional information about these agreements. The disclosure requirements included in the amendments are intended to help users of financial statements better understand the impacts on an entity’s liabilities, cash flows and exposure to liquidity risk due to supplier finance agreements. The amendments are effective for years beginning on or after 1 January 2024. Early application is allowed and must be noted. These amendments are not expected to have a material impact on the Group’s financial statements.

INCOME STATEMENT

Ref. note	€	2023	Of which related party transactions	2022	Of which related party transactions	Change
1	Revenue from sales and services	189,815,095	189,815,095	191,611,338	191,604,070	(1,796,243)
2	Other revenue and income	15,223,430	9,629,630	18,803,427	8,926,370	(3,579,997)
	Net revenues	**205,038,525**	**199,444,725**	**210,414,765**	**200,530,440**	**(5,376,240)**
3	Staff costs	70,478,394	0	63,845,418	0	6,632,975
4	Costs of materials and overhead	161,797,356	59,104,874	185,119,951	67,661,283	(23,322,595)
	Operating costs	**232,275,749**	**59,104,874**	**248,965,369**	**67,661,283**	**(16,689,620)**
	EBITDA	**(27,237,224)**	**140,339,851**	**(38,550,604)**	**132,869,157**	**11,313,380**
5	Net write-downs (write-backs) of trade receivables	425,590	147,265	188,019	0	237,571
6	Depreciation, amortisation and provisions	52,022,727	0	45,928,818	0	6,093,910
	Operating profit/(loss)	**(79,685,542)**	**140,192,586**	**(84,667,441)**	**132,869,157**	**4,981,899**
7	Financial income	114,152,586	100,121,208	89,303,287	87,162,632	24,849,300
8	Financial charges	(111,455,366)	(6,785,414)	(67,575,778)	(1,633,491)	(43,879,589)
9	Profit/(Loss) on equity investments	265,470,928	265,470,928	258,169,402	258,169,402	7,301,526
	Profit/(loss) before tax	**188,482,606**	**498,999,309**	**195,229,470**	**476,567,701**	**(6,746,864)**
10	Income tax	(14,478,434)	0	(11,505,799)	(100,587,879)	(2,972,634)
	Net profit/(loss)	**202,961,039**	**498,999,309**	**206,735,269**	**577,155,580**	**(3,774,230)**

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2023	2022	Change
Net profit/(loss) for the period	**202,961**	**206,735**	**(3,774)**
Provision for exchange rate difference	14,004	10,348	3,656
Tax on exchange rate difference	(3,361)	(2,484)	(877)
Gains/losses from exchange rate difference	**10,643**	**7,865**	**2,779**
Effective portion of gains/(losses) on hedging instruments (“cash flow hedges”)	(14,895)	3,782	(18,676)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges”)	3,575	(908)	4,482
Profit/(loss) from the effective portion on hedging instruments, net of tax	**(11,320)**	**2,874**	**(14,194)**
Actuarial profit/(loss) on staff benefits included in the Shareholders’ Equity	(660)	(3,259)	2,599
Tax effect on the other actuarial profit/(loss) on staff benefits	195	964	(768)
Actuarial profit/(loss) on defined benefit pension plans, net of tax	**(465)**	**(2,295)**	**1,830**
Total of the comprehensive income components, net of tax	**(1,142)**	**8,444**	**(9,585)**
Total comprehensive profit/(loss)	**201,820**	**215,179**	**(13,359)**

STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS €	31/12/2023	Of which related party transactions	31/12/2022	Of which related party transactions	Change
11	Tangible fixed assets	112,297,703	0	114,345,128	0	(2,047,425)
12	Real estate investments	1,989,600	0	2,255,615	0	(266,015)
13	Intangible fixed assets	98,267,856	0	92,196,660	0	6,071,195
14	Rights of use	13,579,828	0	8,469,822	0	5,110,005
15	Equity Investments in subsidiaries and associates	2,089,858,946	0	2,059,276,845	0	30,582,101
16	Other equity investments	7,350,701	0	2,350,061	0	5,000,640
17	Deferred tax assets	12,894,926	0	13,453,405	0	(558,479)
18	Financial assets	3,871,050,036	3,864,547,783	3,547,241,204	3,538,039,094	323,808,832
19	Other non-current assets	290,034	0	208,031	0	82,003
	NON-CURRENT ASSETS	**6,207,579,629**	**3,864,547,783**	**5,839,796,772**	**3,538,039,094**	**367,782,857**
20.a	Trade receivables	169,178,186	168,583,828	149,228,675	148,311,002	19,949,511
20.b	Other current assets	68,029,588	35,315,916	52,764,394	17,614,932	15,265,195
20.c	Current tax assets	2,209,677	0	9,221,644	0	(7,011,967)
20.d	Current financial assets	897,531,153	559,940,494	667,282,749	472,146,361	230,248,404
20.e	Cash and cash equivalents	140,469,651	0	299,918,068	0	(159,448,417)
20	**CURRENT ASSETS**	**1,277,418,255**	**763,840,239**	**1,178,415,530**	**638,072,295**	**99,002,725**
	TOTAL ASSETS	**7,484,997,884**	**4,628,388,022**	**7,018,212,302**	**4,176,111,389**	**466,785,582**

Ref. note	LIABILITIES €	31/12/2023	Of which related party transactions	31/12/2022	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	157,837,638	0	147,500,875	0	10,336,763
21.c	Other reserves	90,812,214	0	91,953,742	0	(1,141,528)
	Retained earnings/(losses)	161,296,541	0	145,563,757	0	15,732,785
	Profit (loss) for the year	202,961,039	0	206,735,269	0	(3,774,230)
21	**SHAREHOLDERS' EQUITY**	**1,711,806,317**	**0**	**1,690,652,526**	**0**	**21,153,791**
22	Staff termination benefits and other defined benefit plans	22,600,176	0	21,900,859	0	699,317
23	Provisions for risks and charges	14,952,442	0	17,381,138	0	(2,428,696)
24	Borrowings and financial liabilities	4,470,501,883	90,790,000	4,404,758,960	103,760,000	65,742,924
25	Other liabilities	36,723,950	36,147,973	31,714,037	31,115,294	5,009,914
	NON-CURRENT LIABILITIES	**4,544,778,452**	**126,937,973**	**4,475,754,993**	**134,875,294**	**69,023,458**
26.a	Borrowings	974,896,240	297,024,215	572,823,648	211,353,727	402,072,593
26.b	Payables to suppliers	195,219,580	104,412,553	233,199,222	104,651,289	(37,979,642)
26.c	Other current liabilities	58,297,295	30,680,724	45,781,912	21,753,194	12,515,382
26	**CURRENT LIABILITIES**	**1,228,413,116**	**432,117,492**	**851,804,782**	**337,758,210**	**376,608,333**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,484,997,884**	**559,055,465**	**7,018,212,302**	**472,633,503**	**466,785,582**

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 2022	**1,098,899**	**147,501**	**102,567**	**17,262**	**(16,225)**	**(12,029)**	**379**	**145,564**	**206,735**	**1,690,653**
Balance at 1 January 2023	**1,098,899**	**147,501**	**102,567**	**17,262**	**(16,225)**	**(12,029)**	**379**	**145,564**	**206,735**	**1,690,653**
Income statement profit	0	0	0	0	0	0	0	0	202,961	202,961
Other comprehensive income (loss)	0	0	0	10,643	(11,320)	(465)	0	0	0	(1,142)
Total comprehensive income (loss)	**0**	**0**	**0**	**10,643**	**(11,320)**	**(465)**	**0**	**0**	**202,961**	**201,820**
Allocation of result for 2022	0	10,337	0	0	0	0	0	196,399	(206,735)	0
Distribution of dividends	0	0	0	0	0	0	0	(180,666)	0	(180,666)
Balance as at 31 December 2023	**1,098,899**	**157,838**	**102,567**	**27,905**	**(27,545)**	**(12,494)**	**379**	**161,297**	**202,961**	**1,711,806**

€ 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**

CASH FLOW STATEMENT

Ref. note	€ thousand	31/12/2023	Of which related party transactions	31/12/2022	Of which related party transactions	Change
	Profit before tax	**188,483**		**195,229**		**(6,747)**
6	Depreciation/amortisation and impairment losses	46,583		36,514		10,069
9	Profit/(Loss) on equity investments	(265,471)	(265,471)	(258,169)	(258,169)	(7,302)
6	Changes in provisions for risks and charges	(1,869)		2,357		(4,226)
8-22	Net change in the provision for employee benefits	699		1,566		(867)
7-8	Net financial income/(charges)	(3,592)		(21,967)		18,375
	Cash flow from operating activities before changes in net working capital	**(35,167)**	**(265,471)**	**(44,470)**	**(258,169)**	**9,303**
5	Provision for doubtful accounts	426		188		238
20	Increase/Decrease in receivables included in current assets	(28,832)	(37,974)	(46,375)	(23,739)	17,543
26	Increase/Decrease in payables included in the working capital	73,084	8,689	125,769	(16,179)	(52,685)
10	Income taxes paid	(85,053)		(91,135)		6,082
	Change in working capital	**(40,374)**	**(29,285)**	**(11,552)**	**(39,918)**	**(28,822)**
	Change in other assets/liabilities during the period	4,033		31,537		(27,504)
	Cash flow from operations of Disposal Groups/ Assets held for sale	*0*		*0*		*0*
	Cash flow from operating activities	**(71,509)**	**(294,756)**	**(24,486)**	**(298,087)**	**(47,023)**
11-12-13	Investments in tangible and intangible assets	(47,436)		(70,823)		23,387
15-16	Investments in investees, subsidiaries and business units	(20,171)		(5,239)		(14,932)
18-20-24-26	Collections/payments deriving from other financial investments	(565,270)	(414,303)	(221,799)	246,644	(343,471)
	Dividends received	265,576	265,576	268,362	268,362	(2,786)
	Interest income received	113,974		92,955		21,019
	Cash flow from investments of Disposal Groups/ Assets held for sale	*0*		*0*		*0*
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(253,327)**	**(148,727)**	**63,457**	**515,006**	**(316,784)**
24	New issues of long-term financial debt	700,000		250,000		450,000
24	Repayment of financial payables	(351,581)	(12,970)	(59,081)	(12,970)	(292,500)
24-26	Decrease/Increase in other financial debts	60,650	72,700	(166,618)	112,524	227,268
	Interest expense paid	(108,559)		(70,988)		(37,571)
	Dividends paid	(135,123)	(135,123)	(133,904)	(133,904)	(1,220)
	Cash flow from loans of Disposal Groups/Assets held for sale	*0*		*0*		*0*
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**165,387**	**(75,393)**	**(180,591)**	**(34,350)**	**345,978**
	CASH FLOW FOR THE PERIOD	**(159,448)**	**(518,876)**	**(141,620)**	**182,569**	**(17,829)**
	Net opening balance of cash and cash equivalents	**299,918**		**441,538**		**(141,620)**
	Cash availability from acquisition	**0**		**0**		**0**
	Net closing balance of cash and cash equivalents	**140,470**		**299,918**		**(159,448)**
	Cash and cash equivalents at the end of the year	**0**		**0**		**0**
	Disposal Groups/Assets held for sale					
	Cash and cash equivalents at the end of the year	**140,470**		**299,918**		**(159,448)**
	Continuing Operations					

NOTES TO THE INCOME STATEMENT

REVENUES

1. Revenue from sales and services – € 189,815 thousand

Revenues from sales and services are as follows:

€ thousand	2023	2022	Change
Revenue from customer services	**43,415**	**49,593**	**(6,178)**
Public Lighting - Rome	43,415	49,585	(6,171)
Other revenue	0	7	(7)
Revenues from intragroup services	**146,401**	**142,019**	**4,382**
Infragroup service contracts	102,334	103,061	(727)
Other infragroup services	44,066	38,958	5,109
Revenue from sales and services	**189,815**	**191,611**	**(1,796)**

The reduction in revenues from customer services of € 6,178 thousand is attributable to the reduction in the consideration for the public lighting service performed in the Municipality of Rome. The decrease can be traced to the decrease in the fee for the electricity component, due to market trends, in part offset by the increase 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 infragroup services recorded an overall increase of € 4,382 thousand. This change is due to the recognition of income relative to multi-year rights of use for licenses acquired or developed by Acea (+€ 10,223 thousand) and higher fees for the IT service contract in the interest of Group companies (+€ 1,758 thousand), partially counterbalanced by lower fees for other services envisaged in the service contract of an administrative, financial, legal, logistics, management and technical nature.
Please see the subsequent section on "Relations with Roma Capitale" for more information on the Public Lighting contract.

2. Other revenue and income – € 15,223 thousand

Other revenue and income shows a reduction of € 3,580 thousand with respect to 31 December 2022. The reduction originated from the phenomena outlined in the table below, in particular lower non-recurring gains and a lack of liabilities (-€ 2,294 thousand) and lower other revenue (-€ 2,234 thousand). The latter mainly refer to lower revenues for recognition of the tax credit for the increase in electricity and gas costs.

€ thousand	2023	2022	Change
Non-recurring gains	2,581	4,875	(2,294)
Other revenue	2,957	5,191	(2,234)
Refunds for damages, penalties, collateral	81	65	16
Regional grants		4	(4)
Seconded personnel	5,532	4,764	769
Real estate income	1,237	1,276	(39)
Recharged cost for company officers	2,835	2,629	206
Other revenue and income	**15,223**	**18,803**	**(3,580)**

COSTS

3. Personnel costs – € 70,478 thousand

€ thousand	2023	2022	Change
Personnel costs including capitalised costs	77,117	71,132	5,985
Staff employed in projects	(480)	(747)	267
Costs capitalised for personnel	(6,159)	(6,540)	381
Staff costs	**70,478**	**63,845**	**6,633**

The change in personnel costs, including capitalised costs of € 5,985 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 € 6,159 thousand (-€ 381 thousand compared to 2022) but also of € 480 thousand (-€ 267 thousand compared to 31 December 2022) 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		
	2023	2022	Change	2023	2022	Change
Senior executives	61	53	9	68	53	15
Middle managers	189	180	9	194	188	6
Clerical staff	463	464	0	483	461	22
Blue-collar workers	20	21	(1)	17	21	(4)
Total	**733**	**717**	**16**	**762**	**723**	**39**

4. Costs of materials and overheads – € 161,797 thousand

Compared to 31 December 2022, total external costs decreased by € 23,323 thousand. The following is the composition and changes in external costs by nature.

€ thousand	2023	2022	Change
Materials	2,815	3,105	(290)
Services and contract work	135,648	161,352	(25,704)
Cost of leased assets	17,166	13,517	3,648
Other operating costs	6,168	7,145	(977)
Costs of materials and overhead	**161,797**	**185,120**	**(23,323)**

€ thousand	2023	2022	Change
Technical and administrative Services (including consulting and collaborations)	34,232	43,168	(8,936)
Contract work	7,842	9,877	(2,035)
Disposal and transport of sludge, slag, ash and waste	57	89	(32)
Other services	10,225	10,265	(41)
Personnel services	5,897	5,359	538
Insurance costs	1,174	1,650	(476)
Electricity, water and gas consumption	25,798	37,313	(11,515)
Intragroup services and otherwise	23,367	19,669	3,697
Telephone and data transmission costs	1,280	1,524	(244)
Postal expenses	390	568	(178)
Maintenance fees	5,872	10,172	(4,300)
Cleaning, transport and porterage costs	3,847	4,406	(559)
Advertising and sponsorship costs	5,457	6,765	(1,308)
Corporate bodies	1,266	978	289
Bank charges	1,538	1,321	217
Travel and accommodation expenses	332	306	26
Seconded personnel	7,045	7,851	(806)
Printing expenses	31	73	(42)
Services and contract work	**135,648**	**161,352**	**(25,704)**

€ thousand	2023	2022	Change
Rent charges	548	429	120
Other rentals and fees (use of third party assets)	16,617	13,089	3,529
Cost of leased assets	**17,166**	**13,517**	**3,648**

€ thousand	2023	2022	Change
Taxes and duties	1,838	2,035	(197)
Damages and outlays for legal disputes	147	161	(14)
Contributions paid and membership fees	2,068	2,197	(129)
General expenses	1,490	2,054	(564)
Contingent liabilities	626	700	(73)
Other operating costs	**6,168**	**7,145**	**(977)**

Relative to the € 23,323 thousand decrease in external costs, the following contributed to the result:

- lower costs for consulting and technical and administrative services for € 8,936 thousand, including strategic projects; the decline is partially counterbalanced by higher costs for IT services;
- reduced electricity, water and gas consumption for € 11,515 thousand, of which € 9,963 relative to the Roma Capitale Public Lighting Service. These decreases can be traced to trends in energy market prices;
- lower costs for IT maintenance fees for € 4,300 thousand;
- greater costs for user licenses for software applications for € 3,716 thousand (included in the item other rentals and fees).

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)	Parent company auditing company	Parent company auditing company network	Total
Type of service			
Independent auditing of the accounts	220		**220**
Certification services	73		**73**
Other services	232	187	**419**
Total fees	**524**	**187**	**712**

(1) Other auditing services provided by PwC SpA to the parent company mainly refer to assistance with documentation and assessment of internal audits;
(2) Other auditing services provided by companies within the PwC network to the parent company mainly involve the issuing of comfort letters with reference to bond issues.

Please note that the above fees refer to assignments for the year 2023 entrusted up to 31 December 2023.

5. Net write-downs (write-backs) of trade receivables – € 426 thousand

The balance of the account consists of the provisions set aside for the impairment of financial receivables, including Sienergia and Ecomed and trade receivables from third parties.

6. Depreciation, amortisation and provisions – € 52,023 thousand

€ thousand	2023	2022	Change
Depreciation and amortisation	46,583	36,514	10,069
Provisions	5,440	9,415	(3,976)
Depreciation, amortisation and provisions	**52,023**	**45,929**	**6,094**

Amortisation and depreciation totalled € 46,583 thousand and refer for € 34,889 thousand to intangible assets, for € 7,578 thousand to property, plant and equipment and for € 4,513 thousand to the application of IFRS 16. The increase in total amortisation and depreciation, equal to € 10,069 thousand, can be attributed for € 10,547 thousand to intangible assets. Of these, € 9,946 thousand refers to licenses and IT development granted for use to subsidiaries and associated companies based on the 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 € 5,440 thousand, net of releases. The following are their composition by nature and their effects.

€ thousand	2023	2022	Change
Legal risks provision	1,641	974	666
Provision for investees	775	0	775
Fee risks provision	16	138	(121)
Tenders and supplies provision	19	111	(92)
Provisions for risks	**2,451**	**1,223**	**1,228**
Provision for staff mobility	3,246	8,208	(4,962)
Expenses provision	**3,246**	**8,208**	**(4,962)**
Total provisions	**5,697**	**9,431**	**(3,734)**
Release of risks provisions, release of fees provisions	**(258)**	**(16)**	**(242)**
Total	**5,440**	**9,415**	**(3,976)**

Compared to the previous year, an overall decrease was seen in the provisioning, mainly due to lower provisioning for staff mobility, partially offset by higher provisioning for legal disputes and risks associated with subsidiaries (€ 700 thousand refers to the equity investment in Ecomed).

For further details, please see the information provided in the paragraph "*Update on major disputes and litigation*" in this document.

7. Financial income – € 114,153 thousand

€ thousand	2023	2022	Change
Interest on financial receivables	96,431	83,987	12,444
Bank interest income	1,736	251	1,485
Interest on other receivables	13,006	1,874	11,133
Financial income from discounting to present value	179	246	(67)
Other Income	2,800	2,946	(146)
Financial income	**114,153**	**89,303**	**24,849**

The € 24,849 thousand increase in financial income is due to higher interest income, essentially from revolving credit lines provided to Group companies for € 12,444 thousand and from current accounts for a total of € 1,485 thousand, which can mainly be attributed to higher interest rates and for € 10,748 thousand to higher interest rates on short-term deposits established during the year.

8. Financial costs – € 111,455 thousand

€ thousand	2023	2022	Change
Costs (Income) on Interest Rate Swaps	5,053	4,592	461
Interest on bonds	79,838	55,818	24,019
Interest on medium/long-term borrowings	20,399	7,740	12,660
Interest on short-term debt	2,984	176	2,808
Default interest and interest on deferred payments	196	206	(9)
Interest cost net of actuarial gains and losses	895	239	655
IFRS 16 financial charges	935	274	662
Other financial charges	89	223	(134)
Foreign exchange gains (losses)	1,067	(1,692)	2,758
Financial charges	**111,455**	**67,576**	**43,880**

The € 43,880 thousand increase in financial charges mainly derives from higher interest on bonds (+€ 24,019 thousand) and on medium/long-term borrowings (+€ 12,660 thousand).
The change in interest on bonds is due for € 25,055 thousand to the new bond issued at the beginning of the year.
The change in interest on medium/long-term borrowings totalling € 12,660 thousand is mainly due to the effect of the increase in interest rates on medium/long-term borrowings.
The same applies to the € 2,808 thousand increase in interest on short-term debt, which mainly includes interest payable on centralised treasury relationships.
The item foreign exchange gains and losses worsened by 2,758 thousand, of which € 2,852 thousand attributable to the adjustment in the valuation of Acea International using the exchange rate.
With reference to the average cost of Acea's debt, there was an increase compared to the previous year, having risen from 1.24% in 2022 to 1.88% in 2023.

9. Income/Expenses from equity investments – € 265,471 thousand

Income net of equity investment expense comes to € 265,471 thousand, an increase of € 7,302 thousand (previously € 258,169 thousand at 31 December 2022). It is composed as summarised in the following table.

€ thousand	2023	2022	Change
Acea Ato2	64,680	70,805	(6,125)
Acque Blu Fiorentine	2,239	4,774	(2,535)
Acea International	2,642	2,704	(62)
areti	113,479	125,362	(11,883)
Acea Energia	3,792	10,127	(6,335)
Acea Produzione	44,626	29,099	15,527
Aquaser	46	43	2
Intesa aretina	646	0	646
Acea Ambiente	22,062	12,854	9,208
Geal	278	0	278
Ingegnerie Toscane	21	68	(48)
Acea Infrastructure	5,645	12,526	(6,881)
Ombrone	1,367	1,420	(53)
Technologies for Water Service (TWS)	4,000	0	4,000
Dividends	**265,523**	**269,782**	**(4,260)**
Other income from equity investments	31	0	31
(Costs) of equity investments in subsidiaries and associated companies	(82)	(11,613)	11,531
Profit/(Loss) on equity investments	**265,471**	**258,169**	**7,302**

The change is due to lower costs of equity investments (-€ 11,531 thousand), partially offset by lower dividends from equity investments. In 2022 the item included the write-downs on the equity investments in Acea Ato5 (for € 7,585 thousand) and in Umbriadue (for € 4,028 thousand).
Please see that found in the item Equity investments in subsidiaries and associates.

10. Income taxes – € - 14,478 thousand

Total taxes amount to -€ 14,478 thousand (€ 11,506 thousand at 31 December 2022). 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 7.7%.
The balance consists of the algebraic sum of the following items.

Current taxes

Current taxes amounted to € 92,086 thousand (€ 89,026 thousand as at 31 December 2022) 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 € 1,240 thousand (€ 1,182 thousand at 31 December 2022) and consisted of the algebraic sum of provisions (€ 4,239 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 (€ 2,999 thousand). Deferred tax liabilities increased by € 2,208 thousand and relate only to provisions, net of use.

Charges and income from tax consolidation

These amount to € 107,529 thousand (€ 100,588 thousand as at 31 December 2022) and represent the positive balance between the tax charges that the Parent Company has towards tax consolidation companies against the transfer of tax losses (€ 2,603 thousand) and the tax income recorded as a counterpart of the taxable income transferred to the consolidated company (€ 110,131 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.

€ thousand	2023	%	2022	%
Profit/(loss) before tax	**188,483**		**195,229**	
Expected tax charge at 24% on profit before tax	45,236	24.0%	46,855	24.0%
Fiscal effect of permanent differences, increase	2,464	1.3%	5,289	2.7%
Fiscal effect of permanent differences, decrease	(62,015)	(32.9%)	(63,411)	(32.5%)
Fiscal effect of temporary differences, increase	3,853	2.0%	3,845	2.0%
Fiscal effect of temporary differences, decrease	(4,688)	(2.5%)	(4,002)	(2.1%)
Income from tax consolidation	(327)	(0.2%)	0	0.0%
IRES for the period	(15,477)	(8.2%)	(11,424)	(5.9%)
IRAP for the period	0	0.0%	0	0.0%
Tax contingencies, previous years	32	0.0%	19	0.0%
Net deferred tax assets	967	0.5%	(102)	(0.1%)
Total income tax for the year	**(14,478)**	**(7.7%)**	**(11,506)**	**(5.9%)**

Legislative Decree 209 of 27 December 2023, "Implementation of tax reform relative to international taxation", published in Official Journal 301 of 28 December 2023, implemented in Italian legislation Directive EU 2022/2523 of the Council of 15 December 2022, to guarantee a global minimum taxation level (Global Minimum Tax) for multinational and large scale national groups in the Union, based on the Global anti-base erosion rules (GloBE rules), developed within the OECD (Pillar II).
The new regulations for Pillar II apply to financial years beginning on or after 31 December 2023 (see article 60 of Legislative Decree 209/2023). Therefore, the regulations in question apply to the Group as from 1 January 2024.
As is known, with reference to multinational groups, Pillar 2 establishes, for companies within the group with an effective taxation level of less than 15%, a system of compensatory taxation which applies to the parent company (Income Inclusion Rule - IIR). This applies to the extent needed to reach the aforementioned 15% threshold.
The Acea Group has assessed the Group's potential exposure to the Global Minimum Tax, carrying out a simulation based on data for financial year 2022.
Based on the analysis done for all the jurisdictions in which the Group is present, the possibility of making use of the simplified regimes pursuant to article 39 of Legislative Decree 209/2023 was positively evaluated ("transitional safe harbours" in the definition contained in Directive EU 2022/2523). Recall that, when applicable, the simplified regimes establish that no additional tax is due from a group in a given country if at least one of the three tests is passed (de minimis test, effective simplified tax rate test, and ordinary profit text) as established in Directive EU 2022/2523.
In particular, the simplified regimes are applied to a group's overall figures, identified for each individual country in which the group operates, using the data presentation methods established, also in a Country-by-Country Report. Use of aggregate data reflects the top-down approach based on Pillar 2 rules, which focuses on calculating the effective taxation level incurred by the highest level parent company in the group (Ultimate Parent Entity).

NOTES TO THE BALANCE SHEET – ASSETS

NON-CURRENT ASSETS – € 6,207,580 THOUSAND

11. Tangible fixed assets – € 112,298 thousand

This item shows a decrease of € 2,047 thousand compared to the value of 31 December 2022. The change mainly refers to the net effect caused by investments, totalling € 6,364 thousand, and depreciation which amounted to € 7,529 thousand.

Investments during the period include the remote control 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 company's offices, in addition to the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network, furnishings and office machines.
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	**106,549**	**41,810**	**13,865**	**64,823**	**11,148**	**238,194**
Investments/Acquisitions	1,673	2,889	0	836	966	6,364
Divestments/Disposals	(60)	(745)	0	(199)	(244)	(1,247)
Other changes	2,942	739	0	168	(3,849)	(1)
Final historic cost	**111,104**	**44,693**	**13,865**	**65,627**	**8,020**	**243,310**
Initial provision for amortisation/ depreciation	**(28,662)**	**(24,962)**	**(13,576)**	**(56,649)**	**0**	**(123,849)**
Depreciation/amortisation and impairment losses	(2,016)	(3,282)	(175)	(2,051)	0	(7,523)
Divestments/Disposals	0	344	0	47	0	390
Other changes	(0)	(1)	0	(30)	0	(31)
Final provision for amortisation/depreciation	**(30,678)**	**(27,901)**	**(13,751)**	**(58,683)**	**0**	**(131,013)**
Net closing balance	**80,426**	**16,793**	**115**	**6,944**	**8,020**	**112,298**

12. Real estate investments – € 1,990 thousand

These amount to € 1,990 thousand, with an overall decrease of € 266 thousand, consisting of the sale of a property for € 211 thousand and the effect of depreciation for the year of € 55 thousand. They mainly consist of land and buildings not used in operations and held for rental.

13. Intangible fixed assets – € 98,268 thousand

The change, a total of € 6,028 thousand, mainly refers to the net effect between investments, € 41,072 thousand, and amortisation which amounted to € 34,389 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 € 30,094 thousand refers to IT licenses and development granted for use to subsidiaries and associates based on the contract that replaced the previous Template.

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

€ thousand	Patent rights	Investments in progress	Total intangible fixed assets
Net opening balance	85,287	6,910	92,197
Investments/Acquisitions	31,453	9,619	41,072
Divestments/Disposals	(45)	(528)	(573)
Other changes	2,804	(2,843)	(39)
Depreciation and amortisation	(34,389)	0	(34,389)
Net closing balance	**85,110**	**13,158**	**98,268**

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 2023 the net book value of these assets was € 13,580 thousand (€ 8,470 thousand at 31 December 2022).

€ thousand	31/12/2023	31/12/2022	Change
Land and buildings	12,359	7,165	5,194
Cars and motor vehicles	1,220	1,304	(84)
Other	0	0	0
Total	**13,580**	**8,470**	**5,110**

The table below shows the changes during the year:

€ thousand	Land and buildings	Cars and motor vehicles	Other	Total
Opening balance	**7,165**	**1,304**	**0**	**8,470**
New contracts	369	751	0	1,120
Remeasurement	8,503	0	0	8,503
Reclassifications/Other changes	0	0	0	0
Depreciation	(3,678)	(835)	0	(4,513)
Total	**12,359**	**1,220**	**0**	**13,580**

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. The change can be attributed, beyond the amortisation/depreciation for the year, to the renewal of an important lease contract for company offices. 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 IFRS 16 and in continuity with previous years.

15. Investments in subsidiaries and associates – € 2,089,859 thousand

An increase of € 30,582 thousand was seen with respect to 31 December 2022, as follows:

€ thousand	31/12/2023	31/12/2022	Change
Shares held in subsidiaries	2,061,685	2,033,815	27,869
Shares held in associates	28,174	25,461	2,713
Equity investments in subsidiaries and associates	**2,089,859**	**2,059,277**	**30,582**

Investments in subsidiaries

Changes for 2023 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2022	**3,445,017**	**(374,890)**	**(74,842)**	**(961,469)**	**2,033,815**
2023 changes:					
- changes in share capital	15,136	0	0	0	15,136
- acquisitions/formations	13,875	0	0	0	13,875
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(1,142)	0	(1,142)
Total changes in 2023	**29,011**	**0**	**(1,142)**	**0**	**27,869**
Values at 31 December 2023	**3,474,027**	**(374,890)**	**(75,984)**	**(961,469)**	**2,061,685**

The changes occurred involve:

- € 15,136 thousand is related to the following operations:
  - i) € 15,058 thousand refers to the recapitalisation of Acea Ato5 through the reissue of financial receivables;
  - ii) € 50 thousand refers to the share capital increase for AEMA;
  - iii) € 28 thousand refers to the recapitalisation of Agile Academy.
- € 13,875 thousand is related to the following operations:
  - i) € 11,000 thousand for the acquisition of 799,999 ABAB shares from the shareholder Vianini Lavori SpA, of which € 1,500 thousand allocated for the estimated earn-out to be paid to Vianini Lavori SpA as a price adjustment;
  - ii) € 2,500 thousand for the subscription of 498,232 shares for the capital increase for pay of ASM Terni;
  - iii) € 325 thousand refers to the establishment of Aquantia Srl (65% of the units);
  - iv) € 50 thousand refers to the establishment of a.cities Srl.
- € 1,142 thousand is related to the following operations:
  - i) € 1,127 thousand refers to the adjustment made to the exchange rate for the equity investment in Acea International SA;
  - ii) € 15 thousand refers to the price adjustment following the transfer of the equity investment in Umbriadue to ASM Terni in 2022.

For purposes of verifying the recoverable value of investments, the impairment test was carried out, pursuant to IAS 36, on Acea's 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 2023 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 the value in use or at fair value, as seen in the table below.
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 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:

- development of revenues from regulated business was prepared on the basis of the most recent tariff trends resulting from updates of national regulations, which in particular took place in December 2023. In 2024, the approval process for the tariff structures for individual water operators will be completed;
- the trend in the prices of electricity and gas sold and purchased on the free market was developed on the basis of business considerations consistent with the energy scenario developed in the business plan, which also take into account independent third party market consensus about these estimates;
- the plans were extended in an inertial manner beyond the duration of the plan approved by the Board of Directors for all CGUs, when the perpetuity hypothesis was not consistent with the characteristics of the CGU involved in the impairment test and required the use of a whole life plan.

Terminal value is calculated:

- for Acea Produzione (Production Segment) using the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Water (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 (Networks & Smart Cities Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the regulatory period and net working capital at the expiration of the concession;
- for the Water Segment, considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial Segment, using estimated normalised cash flows with a steady state hypothesis without real growth; finally;
- for the Engineering & Infrastructure Projects Segment, using the residual value of the plans, considering net invested capital.

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.
Regulatory WACCs, following the update to national regulations, which in particular occurred in December 2023, were in line with the respective market WACCs.
Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Main activity	Recoverable value	WACC	Terminal value	Cash flow period
Integrated water service management	Value in use	6.4%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Network management	Value in use	6.3%	Regulatory Asset Base (RAB)	End of the concession
Sale of electricity and gas	Value in use	7.3%	Perpetuity	Until 2028
Renewable energy plants	Value in use	6.9%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Waste-to-energy and composting plants	Value in use	7.1%	NIC at the end of the plants' useful life	Plants' useful life
Liquid waste treatment and sludge disposal	Value in use	7.1%	NIC at the end of the plants' useful life	Plants' useful life
Engineering and services	Value in use	6.4%	NIC at the end of the plants' useful life	End of concession, Water segment
Overseas	Value in use	7.4%/12.1%	NIC at the end of the concession	End of the concession
Plastic recycling services	Fair value	-	-	-

With reference to estimating the recoverable value of equity investments in companies that provide plastic recycling services, with reference to the IASB hierarchies, note that the fair value was determined using the market multiples method, and therefore the level is 2.
Additionally, with reference to that issued by ESMA on 25 October 2023, with reference to monitoring climate change effects and the relative impacts on impairment tests for non-financial assets, Acea has developed risk analysis using quantitative instruments, including the application of an econometric model to estimate the relationship existing between macroeconomic and climate-related variables and the main economic/financial amounts of interest to Acea's various companies and plants. In particular, analysis was carried out on how margins are affected by the main macroeconomic and environmental variables (e.g. electricity and gas prices, CO_2 emissions, average temperature, average rainfall, etc.). In addition to that described, Acea developed Montecarlo analysis to better understand the relationships between individual key variables and help with defining possible alternative scenarios and, more generally, the level of volatility of predictions.
The impairment tests did not lead to any writedowns in the Acea individual financial statements. Nonetheless, note that possible impairment was identified only in certain scenarios for ATO5 and Adistribuzionegas. In any case, from a statistical point of view they were not "more likely than not", but it was considered appropriate to monitor developments.

With reference to the subsidiary Acea Ato5, note that following the approval of the two-year update for 2022-2023 and the significant increase in the costs of raw materials, worsened by the international geopolitical crisis, in 2023 the directors of Acea Ato5 confirmed the continued significant uncertainties which could give rise to serious doubts about the ability of the company to function as a going concern, in particular: the favourable conclusion of the Technical Panel with the EGA, intended to define the reciprocal items as a whole (including those subject to the Conciliation Board) and the lack of progress in the procedure for ARERA to approve the tariff proposals for 2016-2019 and 2020-2023, as well as the two-year updates for 2018-2019 and 2022-2023.
With reference to these actions, note that the latest request for economic/financial rebalance presented by the company has lapsed as it was not accepted by the deadline of 60 days and, additionally, in 2024 the Council of State rejected the company's appeal against the Area Authority's resolution 1/2021.

See, also, that described in the section "Reference context" - "Water Regulation" in the Report on Operations.
Nonetheless, in 2023 and 2024, the Directors continued to adopt all appropriate measures to improve the Company's financial position and support its continuation as a going concern.
The objectives of these actions mainly included:

- beginning meetings with the government entity to define a new EFP and approve the tariffs with the new MTI-4 method, with an increase in 2024 in line with that of 2023 and within the limits of the maximum tariff increase allowed;
- the request made to the EGA to update the technical panel intended to update the items subject to the Conciliation Board and the creditor items;
- sending a repayment plan proposal to EGA for fees payable (not subject to the Conciliation Board), for which the company has not yet received a response;
- repayment plans to pay off outstanding liabilities towards third-party suppliers and infragroup payables;
- the implementation of a set of coordinated actions designed to reduce bill collection times and thus improve the percentages of amounts received;
- improving the efficiency of operating costs due to the lower revenues coming from the Economic Financial Plan approved by the EGA;
- the request for and awarding of contributions (of around € 12 million) for investments planned in 2024-2025;
- the request that Acea renounce interest and the capital portion accrued and over due at 31/12/2023 with reference to the interest-bearing shareholders' loan for a total of € 14.55 million (of which € 10 million in capital and € 4.55 million in interest). This request was in line with that already approved by the Acea Board of Directors on 16/06/2022;
- a request for financial support from Acea SpA, through an extension on the payment with reference to the trade payable accrued at 31 December 2023 of € 7,867,191.48, in the form of 112 instalments starting in March 2024 and maturing on 30 June 2033 (an action not envisaged in the 2024-2028 plan);
- the request for two interest-bearing shareholders' loans from Acea SpA, to be used solely to serve its financial requirements for 2024, 2025 and 2026, deriving from the realisation of NRRP investments (action not envisaged in the plan 2024-2028 plan).

Nonetheless, despite the many material uncertainties that may create significant doubts about the going concern assumption, in particular:

- the favourable conclusion of the Technical Panel with the EGA, to definitively resolve the reciprocal items (including those subject to the Conciliation Board);
- the approval of the 2024-2029 tariff proposal in the terms proposed by the operator (in particular with regards to invoicing of adjustments by 2029 and the recognition of costs for arrears in the amount of 10% as from 2026);
- the acceptance of the repayment plan proposed to the OTS by the company and not yet formally accepted by the latter with reference to payables not subject to the Conciliation Board.

The Directors have continued to adopt the going-concern assumption in the preparation of the financial statements at 31 December 2023, considering that the actions to taken to preserve continuity, together with the decisions of Acea SpA intended to strengthen the Company's capitalisation, will be enough to allow the ordinary management of the business. They are also confident that the Conciliation Board proceedings described above, and the ARERA tariff approvals, will be completed within a reasonable period of time.

In reference to additional cases related to legal disputes, filed or being filed, and tax disputes involving ACEA Ato 5 SpA, see sections "Update on major disputes and litigation – Tax audits and disputes – ACEA Ato 5 SpA", "Other issues – Acea Ato 5 SpA" e "Service concession arrangements – Acea Ato 5 SpA" of the consolidated financial statements.

The main reason behind the near stability of the recoverable value can for the most part be found in the following assumptions in the business plan:

- IWS revenues (GRC) were prepared using the MTI4 tariff method published in December 2023. The simulation includes (i) measuring the GRC consistent with the Regulatory WACC of 6.13%; (ii) the assumption of Cmor component recognition at 3.5% for 2024-2025 and 10% in 2026-2033, (iii) invoicing of previous adjustments by 2030 for around € 105 million, still within the limits of the maximum allowed theta. Prudentially, impacts deriving from possible greater opex recognised were not estimated;
- Continuation of the process to improve efficiency for non-pass-through operating costs, while pass-through operating costs were projected in line with the revenue profile recognised;
- Amortisation/depreciation guarantees consistency between net fixed capital and the gross RAB recognised;
- The investment plan, until the end of the concession, is in line with the Action Plan the Company is defining with EGATO utilising the MTI-4 method. In particular, € 12 million in contributions for investments in NRRP projects are foreseen in 2024-2025;
- The residual value (investments made, net of amortisation/depreciation and contributions) of the operator in the case of a transfer was calculated by the Company on the date the Concession expires, as the algebraic sum of net fixed capital, work in progress and grants. The residual value was determined in line with the EFP prepared by the company (ARERA formula) and takes into account the end of the due dates for investments made in the last year.

Sensitivity analysis was performed, taking into consideration the hypothesised decrease in adjustments collected on one hand and the increase in plan costs on the other, with the results below. 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. Also note that with the approval of the new tariff method MTI-4, the regulator provided a clear indication regarding the possibility of recovering adjustments, thereby limiting the degree of discretion available to government entities in the context of postponing tariff recognition. Specifically, article 28.2 of annex A to ARERA resolution 639/2023 (MTI-4) establishes that the EGAs insert all the adjustments resolved in the new EFP, calling for invoicing by 31/12/2029, without prejudice to the possibility, in agreement with the operator and to ensure the social sustainability of the tariff, of presenting a reasoned request to ARERA to exceed this deadline, in any case requiring respect for economic and financial balance.

		Reduction adjustments collected (% of total adjustments, € 103 million 2025-2029)					
		0%	**-10%**	**-20%**	**-30%**	**-40%**	**-50%**
Increase in costs with respect to plan baseline*	0%	3.3 base case	0.8	(1.7)	(4.2)	(6.7)	(9.2)
	3%	(0.1)	(2.6)	(5.1)	(7.6)	(10.1)	(12.6)
	5%	(3.5)	(6.0)	(8.5)	(11.0)	(13.5)	(16.0)
	8%	(6.8)	(9.3)	(11.8)	(14.3)	(16.9)	(19.4)
	10%	(10.2)	(12.7)	(15.2)	(17.7)	(20.2)	(22.7)
	13%	(13.6)	(16.1)	(18.6)	(21.1)	(23.6)	(26.1)
	15%	(16.9)	(19.4)	(21.9)	(24.5)	(27.0)	(29.5)

* The baseline is calculated on total operating costs net of energy/wholesale water/concession charges, pass-through in the tariff.

Shares held in affiliate companies
Changes for 2023 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2022	**98,700**	**13,549**	**(80,926)**	**(5,861)**	**25,461**
2023 changes:					
- changes in share capital	0	0	0	0	0
- acquisitions/formations	2,718	0	0	0	2,718
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(5)	0	(5)
Total changes in 2023	**2,718**	**0**	**(5)**	**0**	**2,713**
Values at 31 December 2023	**101,417**	**13,549**	**(80,931)**	**(5,861)**	**28,174**

The changes occurred involve:

- € 2,718 thousand is related to the following operations:
  i) € 2,350 thousand for capital contributions relative to the equity investment in DropMI;
  ii) € 368 thousand refers to the establishment of Aqua.lot Srl (35% of the units).
- € 5 thousand is related to the following operations:
  i) € 63 thousand for the adjustment of the equity investment in Aguazul Bogotà to the exchange rate;
  ii) € 67 thousand for the writedown of the equity investment in Ecomed.

16. Other equity investments – € 7,351 thousand

Other equity investments refer to investments in equity securities that do not constitute control, association or joint control. These increased by € 5,001 thousand following the acquisition of 1,250,000 shares of Bonifiche Ferraresi SpA on the Borsa Italiana market in December.

17. Deferred tax assets – € 12,895 thousand

These decreased by € 558 thousand compared to 31 December 2022. The following table shows the changes and the balance as at 31 December 2023, distinguishing the Assets for Prepaid Taxes from the Provision for Deferred Taxes.
Note that the item “Other” recognised under “deferred tax assets” mainly includes deferred tax assets relative to exchange losses, IFRIC 12 and equity changes relative to the swap. On the other hand, the item “Other” under “deferred tax liabilities” mainly includes deferred tax liabilities recognised on interest on arrears receivable.
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	31/12/2022	IRES/IRAP uses	Other changes	Rate adjustment	Changes in SE	IRES/IRAP advances	31/12/2023
Prepaid taxes							
Remuneration of BoD members	21	0	0	0	0	12	33
Provision for liabilities and charges	4,522	(2,255)	0	0	0	1,456	3,724
Provision for doubtful accounts	14,916	0	(523)	0	0	1,600	15,993
Depreciation and amortisation of tangible and intangible assets	771	(159)	0	0	0	244	856
Defined benefit plans / defined contribution	4,791	(520)	0	0	234	655	5,161
Others	5,245	(66)	523		3,575	272	9,550
Total	**30,267**	**(2,999)**	**0**	**0**	**3,809**	**4,239**	**35,316**
Deferred taxes							
Deferred taxes on dividends	35	(17)	0	0	0	16	34
Depreciation and amortisation of tangible and intangible assets	185	0	0	0	0	39	224
Defined benefit plans/defined contribution	179	0	0	0	39	0	218
Others	16,415	0	0	0	3,361	2,169	21,945
Total	**16,814**	**(17)**	**0**	**0**	**3,400**	**2,225**	**22,421**
Net total	**13,453**	**(2,982)**	**0**	**0**	**409**	**2,014**	**12,895**

18. Non-current financial assets – € 3,871,050 thousand

These saw an increase of € 323,809 thousand compared to 31 December 2022 (then € 3,547,241 thousand). Below is the detailed table:

€ thousand	31/12/2023	31/12/2022	Change
Financial receivables from Roma Capitale	1,587	4,815	(3,228)
Receivables from subsidiaries and associates for loans	3,862,960	3,533,224	329,736
Other receivables due from others	6,502	9,202	(2,700)
Financial assets	**3,871,050**	**3,547,241**	**323,809**

The item **Financial receivables from Roma Capitale** shows a decrease of € 3,228 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 2024, 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 € 329,736 thousand compared to 31 December 2022, of which € 343,030 thousand due to the increase in the long-term portion of the receivable from centralised treasury relationships.

During 2023, also note:

- the reduction in the long-term current portion of the loan to Acea Ato5 equal to € 20,000 thousand in line with the amortisation plan;
- the shareholders loan to Adistribuzionegas was reclassified to the long-term, for a total of € 5,370 thousand, given that an extension on the repayment due date was granted to the same, bringing it to 31 December 2039;
- € 2,000 thousand was disbursed to Acea Molise in the form of an interest-bearing shareholders loan.

These receivables are considered entirely recoverable.

€ thousand	31/12/2023	31/12/2022	Change
Receivables for centralised treasury relationships, non-current portion	3,697,542	3,354,512	343,030
Receivables for medium/long-term loans	165,418	178,712	(13,294)
Acea Ato5	133,912	153,912	(20,000)
Adistribuzionegas	5,370	0	5,370
Acea Molise	6,870	4,870	2,000
Ecomed	33	33	0
Umbriadue Servizi Idrici	19,233	19,897	(664)
Receivables from subsidiaries and associates for loans	**3,862,960**	**3,533,224**	**329,736**

The item **Receivables from others**, amounting to € 6,502 thousand, is composed of € 5,952 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 € 425 thousand relative to non-current prepaid expenses for up front fees relative to committed lines.

19. Other non-current assets – € 290 thousand

This item includes prepaid expenses relative to the long-term portion of user licenses and maintenance fees for IT infrastructure, pertaining to years after 2024.

20. Current assets – € 1,280,083 thousand

These recorded an increase of € 101,668 thousand (€ 1,178,416 thousand as at 31 December 2022) and are broken down as follows.

20.a - Trade Receivables – € 169,178 thousand

These saw an increase of € 19,950 thousand compared to 31 December 2022 (then € 149,229 thousand). Below is their composition:

€ thousand	31/12/2022	31/12/2021	Change
Trade receivables	690	1,239	(549)
Receivables due from the Parent Company Roma Capitale	21	21	0
Receivables from subsidiaries and associates	168,467	147,969	20,498
Trade receivables	**169,178**	**149,229**	**19,950**

Trade receivables

These amounted to € 690 thousand net of the allowance for doubtful receivables amounting to € 2,297 thousand and decreased by € 549 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 € 2,297 thousand, up by € 32 thousand compared to 31 December 2022. The estimate of the amounts considered non-collectable is estimated based on the provisions of IFRS 9, 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	31/12/2023	31/12/2022	Change
Receivables for services invoiced	5	5	0
Receivables for services to be invoiced	16	16	0
Total trade receivables	**21**	**21**	**0**
Financial receivables for Public Lighting services billed	139,132	135,127	4,005
Provision for doubtful debts	(57,994)	(57,994)	0
Financial receivables for Public Lighting services to be billed	46,873	36,274	10,599
Provision for doubtful debts	(13,706)	(5,380)	(8,326)
M/L term financial receivables for Public Lighting services	1,587	4,815	(3,228)
Total financial receivables for Public Lighting	**115,892**	**112,842**	**3,051**
Total receivables	**115,914**	**112,862**	**3,051**
Dividend payables	(107,867)	(105,942)	(1,925)
Other payables	(3,621)	(2,707)	(915)
Total payables	**(111,488)**	**(108,649)**	**(2,840)**
Total net balance receivables payables	**4,425**	**4,214**	**211**

As regards **relations with Roma Capitale**, the net balance at 31 December 2023 was € 4,425 thousand receivable by the Group (at 31 December 2022 the amount was a payable of € 4,214 thousand).

Financial receivables recorded an overall increase of € 3,051 thousand compared to the previous year, due to the changes specified below.

- accrual of receivables for the Public Lighting service for € 47,367 thousand;
- collection of € 12,718 thousand in September through offsetting, for fees (including the price adjustment component for Public Lighting for the last quarter of 2022) as well as work carried out for the Public Lighting service and the Acea share dividends for financial year 2020;
- collection of € 17,345 thousand in November through offsetting, for fees for the Public Lighting service for the first half of 2023, against Acea share dividends for 2020;
- collection of € 14,250 thousand in December through offsetting, relative to extraordinary modernisation and maintenance in 2022 for the Public Lighting network and work associated with the Quality of Light Plan against Acea share dividends for 2020.

With reference to payables, an increase of € 2,840 thousand was recorded, mainly due to the combined effects of offsetting/payments of € 44,380 thousand as well as the recognition of new debt for Acea share dividends in financial year 2022 for € 46,160 thousand (note that in June 2023 on the coupon detachment date, Roma Capitale was paid 50% of the dividend for the year, 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.
For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters. Hence, again in 2021, while awaiting the conclusion and finalisation of these aspects,

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

- in 2020 at total of € 33.3 million of receivables referred to the aforementioned report were settled in the Group;
- During 2021 a new Public Lighting Technical Panel comprising Acea and Roma Capitale was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. As a result of this work, Roma Capitale paid Acea the Public Lighting receivables for € 75.3 thousand through offsets;
- during 2022, settlement activities with Roma Capitale continued, which allowed continuation of the liquidation of Acea receivables, through offsetting of a total of € 56.5 million, of which € 17.4 million relative to receivables already recognised in previous years.

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

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

During 2023, specifically in September, the Acea Board of Directors, after receiving the opinion of the Related Party Transactions Committee, approved the proposal for a Settlement Agreement with Roma Capitale, to govern their reciprocal positions and the methods for the early consensual termination of the contractual relationships between the parties for the public lighting service provided by the company and for it by the subsidiary areti SpA.

At the same time, Roma Capitale also approved the draft Settlement Agreement in the City's Assembly in December 2023.

With reference to the economic terms of this possible Settlement Agreement, substantially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to Acea/areti from Roma Capitale for a total of around € 100.6 million. The economic and financial effects of the settlement, following the signing which had not yet occurred as of the reporting date, will not have significant effects as the company had already updated its estimates in previous financial statements utilising the criteria established in the relevant regulations.

Receivables from subsidiaries and associates

Receivables from subsidiaries and associates total € 168,467 thousand and increased by € 20,498 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	31/12/2023	31/12/2022	Change
Acea Ato2	34,222	32,829	1,393
areti	30,234	28,327	1,907
Acea Energia	18,023	19,031	(1,008)
Gesesa	10,467	8,760	1,707
Acea Ato5	10,355	5,552	4,803
Acea Ambiente	8,849	6,294	2,555
Acquedotto del Fiora	8,805	7,500	1,305
Acea Molise	8,679	8,063	616
Publiacqua	7,872	4,878	2,994
Umbra Acque	6,480	4,192	2,288
Acea Infrastructure	4,922	2,987	1,936
GORI	3,492	6,403	(2,911)
Acea Produzione	3,170	3,154	16
Acque	1,909	2,893	(984)
Aquaser	1,342	142	1,200
Sarnese Vesuviano	910	789	121
Acque Industriali	849	921	(72)
Orvieto Ambiente	692	0	692
Umbriadue Servizi Idrici	664	716	(52)
Servizi Idrici Integrati	631	298	334
Ecogena	624	83	541
DropMI	563	0	563
ASM Terni	402	13	389
Technologies for Water Service (TWS)	377	421	(44)
Acea Solar	370	90	280
Ingegnerie Toscane	337	417	(80)
Acea Innovation	312	552	(240)
Aquantia	152	0	152
Marco Polo	1,236	1,236	0
Other	1,528	1,429	99
Total	**168,467**	**147,969**	**20,498**

20.b - Other current assets – € 68,030 thousand

These recorded an increase of € 15,265 thousand and are made up as follows.

€ thousand	31/12/2023	31/12/2022	Change
Other receivables	421	238	183
Receivables from national insurance institutions	427	324	103
Receivables due to severance pay for individual transfers	1,967	1,952	15
Advances to suppliers and deposits with third parties	158	298	(140)
Other tax receivables	23,964	25,271	(1,306)
Accrued income and prepaid expenses	6,148	7,144	(996)
Tax consolidation receivables due from subsidiaries	34,945	17,539	17,406
Other current assets	**68,030**	**52,764**	**15,265**

This change mainly derived from receivables for tax consolidation (+€ 17,133 thousand).

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 – € 2,210 thousand

The item fell by € 7,012 thousand, mainly due to higher IRES receivables for advances paid.

€ thousand	31/12/2023	31/12/2022	Change
IRAP receivables	31	31	0
IRES receivables	2,179	9,191	(7,012)
Current tax assets	**2,210**	**9,222**	**(7,012)**

20.d - Current financial assets – € 897,531 thousand

These recorded an increase of € 230,248 thousand and can be broken down as follows. Non-current financial assets include the portion of current accounts related to revolving loan lines destined by the subsidiaries to non-current assets.

€ thousand	31/12/2023	31/12/2022	Change
Financial receivables from the Parent Company Roma Capitale	114,305	108,026	6,278
Financial receivables from subsidiaries and associates	445,550	364,120	81,431
Financial receivables from third parties	337,676	195,137	142,539
Total current financial assets	**897,531**	**667,283**	**230,248**

Receivables from parent companies - Roma Capitale

These amount to a total of € 114,305 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 € 445,550 thousand (€ 364,120 thousand at 31 December 2022) and are composed as follows:

€ thousand	31/12/2023	31/12/2022	Change
Receivables from cash pooling relationships	307,947	246,125	61,821
Accrued current financial assets on loans and cash pooling relationships	97,901	84,762	13,139
Receivables from subsidiaries for loans	34,138	27,816	6,322
Other receivables from subsidiaries	2,837	2,906	(69)
Receivables for commissions on guarantees given	2,728	2,510	218
Financial receivables from subsidiaries and associates	**445,550**	**364,120**	**81,431**

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.
Additionally, an increase was seen in receivables from subsidiaries for loans of € 6,322 thousand, due for € 10,000 thousand to the increase in the short-term portion of the shareholder receivable relative to ATO5 and for € 1,556 thousand to the shareholders loan disbursed to Acea Molise to support a shareholder loan of the same amount disbursed by the latter to Gesesa, offset for € 5,370 thousand by the reclassification to long-term of the shareholder loan to Adistribuzionegas, for which maturity was postponed to 31 December 2039.

Receivables from others

These amounted to a total of € 337,676 thousand and increased compared to 31 December 2022 by € 142,539 thousand owing to the increase in short-term deposits which went up from € 190,000 thousand to € 330,000 thousand.

€ thousand	31/12/2023	31/12/2022	Change
Receivables for managing the Public Lighting service	2,681	3,181	(501)
Receivables on short-term deposits	330,000	190,000	140,000
Financial accrued income	4,478	1,080	3,398
Receivables from SEIN from liquidation of Acea Ato5 Servizi	0	274	(274)
Other receivables	517	602	(85)
Financial receivables from third parties	**337,676**	**195,137**	**142,539**

20.e - Cash and cash equivalents – € 140,470 thousand

These recorded a decrease of € 159,448 thousand (€ 299,918 as at 31 December 2022) 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 – € 1,711,806 THOUSAND

€ thousand	31/12/2023	31/12/2022	Change
Share capital	1,098,899	1,098,899	0
Legal reserve	157,838	147,501	10,337
Reserve for own shares	0	0	0
Other reserves	90,812	91,954	(1,142)
Retained earnings/(losses)	161,297	145,564	15,733
Profit/(loss) for the year	202,961	206,735	(3,774)
Shareholders' Equity	**1,711,806**	**1,690,653**	**21,154**

Shareholders' equity increased by € 21,154 thousand compared to 31 December 2022. 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 2022 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 – € 157,838 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 2023 there was an increase of € 10,337 thousand compared to the previous year, due to the allocation of profit achieved in 2022.

21.c - Other reserves – € 90,812 thousand

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

€ thousand	31/12/2023	31/12/2022	Change
Extraordinary reserve	180	180	0
Demerged capital gains reserve	102,567	102,567	0
Reserve for exchange differences	27,905	17,262	10,643
Valuation reserve for financial instruments	(27,545)	(16,225)	(11,320)
Reserve for actuarial gains and losses	(12,494)	(12,029)	(465)
Other miscellaneous reserves	198	198	0
Other reserves	**90,812**	**91,954**	**(1,142)**

The reserve for differences in exchange records an increase of € 10,643 thousand and represents the effect of the valuation at the exchange rate on 31 December 2023 of the private placement in YEN stipulated in 2010.

The cash flow hedge reserve is negative and stands at € 27,545 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.

	31/12/2023				
				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	157,838	A, B	157,838		
Extraordinary reserve	180	A, B, C	180		
Demerged capital gains reserve	102,567	A, B, C	102,567		
Retained earnings/(losses)	161,297	A, B, C	161,297		13,643
Profit reserves from OCI					
Valuation reserve for financial instruments	(27,545)		(27,545)		
Reserve for exchange differences	27,905		27,905		
Reserve for actuarial gains and losses	(12,494)		(12,494)		
Other reserves					
Greater cost paid, infragroup acquisitions	(5,652)		(5,652)		
IAS reserve	(719)		(719)		
Reserve for own shares	3,853	Guarantee of treasury shares	3,853		
Total	**413,800**		**413,800**		
Non-distributable share			143,186		
Residual distributable portion			270,614		

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 2023. The amount of the reserve co-incides with the value of shares in the portfolio accounted for as a reduction of the Shareholders' Equity in accordance with IAS32.

NON-CURRENT LIABILITIES – € 4,544,778 THOUSAND

22. Employee severance indemnity and other defined benefit plans – € 22,600 thousand

It increased by € 699 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	31/12/2023	31/12/2022	Change
- Employee severance indemnities (TFR)	4,351	4,577	(226)
- Pegaso Fund	0	0	0
Employee severance indemnity	**4,351**	**4,577**	**(226)**
- Extra months	1,034	1,015	19
Extra months	**1,034**	**1,015**	**19**
- LTIP plans	3,118	1,736	1,383
Long-Term Incentive Plans (LTIP)	**3,118**	**1,736**	**1,383**
Benefits due at the time of termination of employment	**8,504**	**7,327**	**1,176**
- Employees tariff subsidy	860	868	(8)
- Managers tariff subsidy	75	90	(15)
- Pensioners tariff subsidy	9,635	10,299	(664)
Tariff subsidies	**10,571**	**11,257**	**(687)**
Post-employment benefits	**10,571**	**11,257**	**(687)**
- Isopensione fund	3,526	3,316	210
Isopensione (early retirement)	**3,526**	**3,316**	**210**
Staff termination benefits and other defined benefit plans	**22,600**	**21,901**	**699**

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 3.17% against a rate used last year of 3.95%.
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:

	31/12/2023	31/12/2022
Discount rate	3.17%	3.95%
Revenue growth rate (average)	2.67%	2.67%
Long-term inflation	2.09%	2.50%

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)	(165)	175
Tariff subsidies	(319)	337
Extra months	(39)	41
LTIP	(26)	26

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)	25
Tariff subsidies	(522)
Extra months	68

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

23. Provision for risks and charges – € 14,952 thousand

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

€ thousand	31/12/2022	Uses	Provisions	Release for Excess Provisions	Reclassifications/Other changes	31/12/2023
Legal	3,136	(720)	1,641	(172)	0	3,885
Investees	5,520	0	775	0	(195)	6,100
Contributory risks	730	0	16	0	0	747
Other risks and charges	1,041	0	19	(85)	0	975
Total provision for risks	**10,427**	**(720)**	**2,451**	**(258)**	**(195)**	**11,706**
Staff mobility	6,954	(6,589)	3,246	0	(365)	3,246
Total provisions for expenses	**6,954**	**(6,589)**	**3,246**	**0**	**(365)**	**3,246**
Total provisions for risks and charges	**17,381**	**(7,309)**	**5,697**	**(258)**	**(559)**	**14,952**

The main changes concerned:

- the provisions for risks associated with legal disputes utilised for € 720 thousand owing to unfavourable judgements. Additionally, other provisioning was carried out during the year for € 1,641 thousand, with amounts released for excess provisions of € 172 thousand;
- the provision for risks of investees includes additional provisions, of which € 700 thousand for the equity investment in Ecomed;
- the provision set aside for staff mobility plans used for € 6,589 thousand as the relevant procedures have been completed. Additionally, allocations of € 3,246 thousand were made.

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

24. Non-current borrowings and financial liabilities – € 4,470,502 thousand

The breakdown is as follows:

€ thousand	31/12/2023	31/12/2022	Change
Bonds	3,939,174	3,834,453	104,722
Medium/long-term borrowings	431,095	462,202	(31,107)
Medium/long-term borrowings from subsidiaries	90,790	103,760	(12,970)
IFRS 16 financial payables	9,442	4,344	5,098
Borrowings and financial liabilities	**4,470,502**	**4,404,759**	**65,743**

Medium and long-term bonds

On 17 January 2023, Acea successfully completed the placement of a Green Bond issue for a total amount of € 500 million, interest rate of 3.875%, maturing on 24 January 2031 under the Green Financing Framework and the Euro Medium Term Notes programme (EMTN) of € 5 billion, in line with the Base Prospectus supplemented on 13 January 2023. On 3 February 2023 Acea successfully completed the reopening of the Green bond issue carried out on 17 January 2023 (rate 3.875%, maturity 24 January 2031) for an amount of € 200 million ("TAP Issue").

Bonds amounted to € 3,939,174 thousand at 31 December 2023 (€ 3,834,453 thousand at 31 December 2022) and refer to the following:

- **€ 498,028 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 24 October 2016, maturing on 24 October 2026, with a fixed rate of 1% under the EMTN programme. Interest accrued during the period amounted to € 4,997 thousand;

- € 128,432 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 32,909 thousand, amounted to **€ 161,342 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 36,717 thousand, of the hedged instrument calculated on 31 December 2023. The exchange rate at the end of 2023 stood at € 155.72 against € 140.41 at 31 December 2022. Interest accrued during the period amounted to € 15,730 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 basis postponed to 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;
- **€ 695,655 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 8 February 2018, maturing on 8 June 2027, with a fixed rate of 1.5% under the EMTN programme. Interest accrued during the period amounted to € 10,484 thousand;
- **€ 496,811 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 23 May 2019, maturing on 23 May 2028, with a fixed rate of 1.75% under the EMTN programme. Interest accrued during the period amounted to € 8,735 thousand;
- **€ 497,232 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 6 February 2020, maturing on 6 April 2029, with a rate of 0.50% under the EMTN programme. Interest accrued during the period amounted to € 2,495 thousand;
- **€ 299,902 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 28 January 2021, maturing 28 September 2025, with a rate of 0%;
- **€ 592,644 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 28 January 2021, maturing on 28 July 2030, with a rate of 0.25%. Interest accrued during the period amounted to € 1,498 thousand;
- **€ 697,561 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 24 January 2023, maturing on 24 January 2031, with a rate of 3.875%. Interest accrued during the period amounted to € 25,055 thousand.

The decrease compared to 31 December 2022 refers for € 599,513 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 issued by the Company on 15 July 2014, maturing on 15 July 2024, with a fixed rate, under the EMTN programme. Interest accrued during the year amounted to € 3,207 thousand.

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

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	599,513	0	7,316	606,829
Private Placement issued in 2014	128,411	32,909	632	161,953
Issued in 2016	496,944	0	943	497,887
Issued in 2018	693,953	0	5,939	699,891
Issued in 2019	495,905	0	5,331	501,236
Issued in 2020	496,597	0	1,844	498,442
Issued in 2021	891,110	0	643	891,753
Issued in 2023	697,155	0	25,416	722,571
Total	**4,499,588**	**32,909**	**48,064**	**4,580,562**

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

Medium/long-term borrowings

These amount to € 431,095 thousand and show a reduction of € 31,107 thousand and represent the payable for the portion of the instalments not yet repaid at 31 December 2023 and expiring beyond twelve months. The reduction refers solely to the portions which have come due in line with the amortisation plan.

The main mortgages, whose values as at 31 December 2023 are shown below including the short-term portions amount to a total of € 501,460 thousand and are described below:

- medium/long-term loan of € 200,000 thousand, signed by Acea SpA and the EIB in July 2014, to cover a portion of the requirements for the multi-year investment plan of Acea Ato2 SpA ("Acea Rome II Water Sector") and fully disbursed in December 2014. The interest rate is variable with maturity set for June 2030 in the amortisation plan. The residual amount of the

loan at 31 December 2023 amounts to € 72,372 thousand;
- medium/long-term loan of € 200,000 thousand, signed by Acea SpA and the EIB in August 2015, to cover a portion of the requirements for the multi-year investment plan of areti SpA ("Acea Network Efficiency III") and fully disbursed in May 2017. The interest rate is variable with maturity set for December 2030 in the amortisation plan. The residual amount of the loan at 31 December 2023 amounts to € 140,270 thousand;
- medium/long-term loan of € 250,000 thousand, signed by Acea SpA and the EIB in July 2020, to cover a portion of the requirements for the multi-year investment plan of Acea Ato2 SpA ("Acea Rome III Water Sector") and fully disbursed in June 2022. The disbursement was carried out in two equal tranches, one fixed and one floating rate, with identical amortisation plans in which the final maturity is June 2037. The residual amount of the loan at 31 December 2023 amounts to € 250,000 thousand.

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 2024 of € 31,952 thousand.

€ thousand	31/12/2023	By 31/12/2024	From 31/12/2024 to 31/12/2028	After 31/12/2028
Loans:				
- fixed rate	125,130	133	28,407	96,589
- floating rate	337,917	31,819	152,844	153,255
Total	**463,047**	**31,952**	**181,251**	**249,844**

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 31/12/2024	From 31/12/2024 to 31/12/2028	After 31/12/2028
Loans:				
- fixed rate	103,764	12,975	51,880	38,910
Total	**103,764**	**12,975**	**51,880**	**38,910**

IFRS16 financial payables

This item includes the financial payable deriving from the adoption of IFRS16, the long-term portion of which amounts to € 9,442 thousand. The short-term portion instead amounts to € 4,414 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
IFRS16 liabilities	**4,414**	**7,108**	**12,585**	**13,856**

25. Other non-current liabilities – € 36,724 thousand

The item of € 36,724 thousand (€ 31,714 thousand at 31 December 2022) mainly includes the non-current portion of accrued expenses related to multi-annual user licences and development granted to subsidiaries and associates.

26. CURRENT LIABILITIES – € 1,228,413 thousand

These amounted overall to € 1,228,413 thousand and decreased overall by € 376,608 thousand.

€ thousand	31/12/2023	31/12/2022	Change
Current financial payables	974,896	572,824	402,073
Payables to suppliers	195,220	233,199	(37,980)
Tax payables	0	0	0
Other current liabilities	58,297	45,782	12,515
Current liabilities	**1,228,413**	**851,805**	**376,608**

26.a - Financial payables – € 974,896 thousand

These rose by € 402,073 thousand and are composed as follows:

€ thousand	31/12/2023	31/12/2022	Change
Payables to banks for short-term credit lines	74	91	(17)
Payables to banks for loans	31,952	39,258	(7,306)
Short-term bonds	641,387	316,965	324,422
Payables to the Parent Company Roma Capitale	111,306	108,466	2,840
Payables to subsidiaries and associates	185,718	102,887	82,831
Payables to third parties	45	655	(610)
IFRS 16 financial payables within one year	4,414	4,500	(87)
Current Financial Payables	**974,896**	**572,824**	**402,073**

The decrease of € 7,306 thousand in payables to banks for loans, includes € 7,509 thousand for the repayment of the EIB loan "Acea Rome Water Sector", which was disbursed on 25 August 2008 and matured in 2023.

The short-term portion for bonds increased by € 324,422 thousand following the reclassification to the short-term portion of the 10-year bond issued by Acea under the EMTN programme in 2014 (+€ 600,000 thousand) partially offset by the repayment of the 5-year bond issued by Acea under the EMTN programme in February 2018, which matured in the first few days of February 2023 (-€ 300,000 thousand).
Financial payables due to Roma Capitale increased by € 2,840 thousand, mainly due to the combined effects of offsetting/payments of € 44,380 thousand as well as the recognition of new debt for Acea share dividends in financial year 2022 for € 46,160 thousand (note that in June 2023 on the coupon detachment date, Roma Capitale was paid 50% of the dividend for the year, for € 46,160 thousand).

The changes concerning payables to subsidiaries and associates, which increased by € 82,831 thousand, essentially refer to centralised treasury relationships due to the greater financial exposure recorded during the year with reference to Acea Energia. Other financial payables include, beyond the short-term portion and instalments relative to the loan provided to Acea SpA by Acea Energia, the interest payment due for centralised relationships which increased (the latter +€ 2,863 thousand with respect to 31 December 2022).

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

€ thousand	31/12/2023	31/12/2022	Change
Payables for cash pooling relationships	169,562	89,862	79,700
Other financial payables	16,156	13,026	3,130
Payables to subsidiaries and associates	**185,718**	**102,887**	**82,831**

This item includes the short-term portion of IFRS 16 financial payables, equal to € 4,414 thousand (€ 4,500 thousand at 31 December 2022).

26.b - Trade payables – € 195,220 thousand

Results are as follows.

€ thousand	31/12/2023	31/12/2022	Change
Payables to suppliers	91,127	129,040	(37,913)
Payables to the parent company	182	182	0
Payables to subsidiaries and associates	103,910	103,977	(67)
Payables to suppliers	**195,220**	**233,199**	**(37,980)**

Payables to third-party suppliers show a decrease of € 37,913 thousand and the balance is shown below:

€ thousand	31/12/2023	31/12/2022	Change
Payables due to invoices received	38,710	75,934	(37,224)
Payables due to invoices to be received	52,417	53,106	(689)
Payables to suppliers	**91,127**	**129,040**	**(37,913)**

With regard to payables to suppliers for invoices received for € 38,710 thousand, it must be noted that the expired component amounts to € 9,948 thousand, the remaining amount is due within the next twelve months.

Relative to relations with **Subsidiaries and associates**, note a € 1,487 thousand increase with respect to 31 December 2022, essentially relative to areti for fees relative to the Public Lighting service. Details by counterparty are provided in the following table:

€ thousand	31/12/2023	31/12/2022	Change
Acea Ato2	680	795	(116)
Acea Ato5	57	68	(11)
Acea Energia	8,358	12,490	(4,132)
Acea Produzione	36	58	(22)
areti	95,723	89,950	5,774
Acea Infrastructure	186	166	20
Acea Ambiente	77	48	29
GORI	89	44	45
Ecogena	30	25	5
Gesesa	48	48	0
Other	179	284	(105)
Total	**105,464**	**103,977**	**1,487**

26.c - Other current liabilities – € 58,297 thousand

The increase of € 12,515 thousand is due for € 7,067 thousand to the short-term portion of accrued expenses relative to multi-year rights of use for licenses and developments granted to subsidiaries and associates.

€ thousand	31/12/2023	31/12/2022	Change
Payables to social security institutions	3,952	3,877	75
Accrued expenses and deferred income	19,421	12,812	6,609
Tax consolidation payables to subsidiaries	9,933	9,120	813
Payables due to personnel	13,608	10,211	3,398
Payables to Equitalia	61	61	0
Other current liabilities	11,321	9,701	1,620
Other current liabilities	**58,297**	**45,782**	**12,515**

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".

RELATED PARTY TRANSACTIONS

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.
Finally, note that with reference to the conditions applied to 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 under the service

contract between the Administration and Acea SpA (and through it for areti) comparing it with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention" and confirming "the correctness of the prices applied for the public lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. 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.
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.
During 2023, specifically in September, the Acea Board of Directors, after receiving the opinion of the Related Party Transactions Committee, approved the proposal for a Settlement Agreement with Roma Capitale, to govern their reciprocal positions and the methods for the early consensual termination of the contractual relationships between the parties for the public lighting service provided by the company and for it by the subsidiary areti SpA.
At the same time, Roma Capitale also approved the draft Settlement Agreement in the City's Assembly in December 2023.
With reference to the economic terms of this possible Settlement Agreement, substantially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to Acea/areti from Roma Capitale for a total of around € 100.6 million. The economic and financial effects of the settlement, following the signing which had not yet occurred as of the reporting date, will not have significant effects as the company had already updated its estimates in previous financial statements utilising the criteria established in the relevant regulations. The effects of the possible settlement are not reflected in the 2023 financial statements, while awaiting the formal signing of the Agreement.

From the point of view of economic relations, instead, the costs and revenues at 31 December 2023 are summarised below with reference to the most significant transactions.

	Revenues		Costs	
€ thousand	2023	2022	2023	2022
Public Lighting service contract	42,756	49,157	78	78
Revenue from realisation plants on request	659	429	0	0
Total	**43,415**	**49,585**	**78**	**78**

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	31/12/2023			
€ thousand	Payables	Costs	Receivables	Revenues
Ama SpA	137	521	101	139
Fondazione Cinema per Roma	123	123	0	0
Fondazione Teatro dell'Opera	15	15	0	0
Total	**276**	**659**	**101**	**141**

ACEA AND ITS SUBSIDIARIES

Financial reports

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. Additionally, Acea makes available to the companies: 1) a Guarantee Line to issue bank or corporate guarantees (on its own unse-

cured credit lines), for an amount equal to the Guarantee Limit; 2) an Insurance Guarantee Line to issue sureties with Acea co-obligated for an amount equal to the insurance guarantee limit.
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 2023, the interest rate applied falls between a minimum of 2.06% and a maximum of 3.59%, while in 2022, the rate applied fell between a minimum of 1.82% and a maximum of 2.73%.
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 contracts have:

- a duration of 30 years or until the expiry of concessions for companies with regulated business (Acea Ato2 and areti);
- annual updating of the total rate for use of the Intercompany Finance Line, based on the calculation methodology shared with a major consulting firm;
- annual updating of the total rate for use of the Guarantee Line, based on the calculation methodology shared with a major consulting firm.

In 2023, the corporate scope of the current Treasury Contracts expanded to include Orvieto Ambiente Srl. This contract is set to expire on 31/12/2050, in line with those of the other companies.

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 2023, and for three years, the new service contracts for 2023-2025 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 to certain companies 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 2023, there were the following financial relationships with the companies of the Caltagirone Group and Acea SpA.

	31/12/2023			
€ thousand	Payables	Costs	Receivables	Revenues
Piemme SpA - Concessionaria di Pubblicità SpA	241	214	0	0
Vianini Lavori SpA	1,500	0	0	0
Total	**1,741**	**214**	**0**	**0**

ACEA AND THE MAIN COMPANIES OF THE SUEZ GROUP

As of the end of financial year 2023, there were no economic or equity items with Suez Italia SpA, which is now incorporated into Suez International and Acea SpA.

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	31/12/2023	Of which related party transactions	Impact	31/12/2022	Of which related party transactions	Impact
Non-current financial assets	3,871,050	3,864,548	100%	3,547,241	3,538,039	100%
Trade receivables	169,178	168,584	100%	149,229	148,311	99%
Other current assets	68,030	35,316	52%	52,764	17,615	33%
Current financial assets	897,531	559,940	62%	667,283	472,146	71%
Borrowings and financial liabilities	(4,470,502)	(90,790)	2%	(4,404,759)	(103,760)	2%
Other non-current liabilities	(36,724)	(36,148)	98%	(31,714)	(31,115)	98%
Current financial payables	(974,896)	(297,024)	30%	(572,824)	(211,354)	37%
Payables to suppliers	(195,220)	(104,413)	53%	(233,199)	(104,651)	45%
Other current liabilities	(58,297)	(30,681)	53%	(45,782)	(21,753)	48%

Impact on the economic results

€ thousand	2023	Of which related party transactions	Impact	2022	Of which related party transactions	Impact
Revenue from sales and services	189,815	189,815	100%	191,611	191,604	100%
Other revenue and income	15,223	9,630	63%	18,803	8,926	47%
Costs of materials and overhead	161,797	59,105	37%	185,120	67,661	37%
Financial income	114,153	100,121	88%	89,303	87,163	98%
Financial charges	(111,455)	(6,785)	6%	(67,576)	(1,633)	2%
Profit/(Loss) on equity investments	265,471	265,471	100%	258,169	258,169	100%
Income tax	(14,478)	0	0%	(11,506)	(100,588)	874%

Impact on the cash flow statement

€ thousand	2023	Of which related party transactions	Impact	2022	Of which related party transactions	Impact
Cash flow from operating activities	(71,509)	(294,756)	412%	(24,486)	(39,918)	163%
Cash flow of asset investment/disinvestment	(253,327)	(148,727)	59%	63,457	515,006	812%
Cash flow from financing activities	165,387	(75,393)	-46%	(180,591)	(34,350)	19%

LIST OF TRANSACTIONS WITH RELATED PARTIES

During 2023, a major transaction was approved between Acea and Roma Capitale, relative to the signing of a settlement agreement which involves (i) the early consensual termination of contractual relations relative to the public lighting management service entrusted to Acea by Roma Capitale and the free use of state property in favour of the former, as well as (ii) the definition, with an eye to settlement, of debtor items inherent to the aforementioned service.

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.
With an appeal to the Court of Cassation notified on 21 September 2022, Milano '90 appealed the decision issued by the Rome Court of Appeal. Acea SpA filed a cross-appeal by the deadline and is waiting for the date of the hearing to be set.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano '90 and the third parties attached. Following the opposition proceedings brought by the third-party garnishee, on 25 March 2022 the sums assigned to Acea were paid. An appeal to the Court of Cassation by the third-party garnishee is now pending. The date for the hearing has not yet been set.

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 the company to pay the wages due as a result of the established relationship and regarding different periods of accrual of the receivables. Below, specifically.
Salary differences in relation to the period 2008/2014. In 2015, six separate quantification judgements were introduced by the aforementioned workers in relation to the wage differences matured between 2008 and 2014. The judge, having gathered the appeals, 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. In April 2022, Acea paid the salary differences and ancillary costs, reserving the right of reimbursement, and also filed an appeal which is still pending.
With regard to the appeals made in 2022, both sets of proceedings have been opposed. In a judgement dated 4 April 2023, Acea was ordered to pay the salary differences which were settled, reserving the right of reimbursement. The rulings have been appealed with the Rome Court of Appeal and the hearings have been set for 26 April and 10 May 2024.
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. The ruling on the appeal proceedings started by Acea is still pending, with the next hearing set for 4 April 2024.

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 has filed an appeal with the Court of Cassation. The hearing was held on 21 December 2023 and the decision of the Supreme Court has not yet been issued.

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 19 September 2024.

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 pleas made by the parties, granted further postponements for the same impending. At the subsequent hearing on 26 April 2022, the Judge took the parties' requests under advisement and with a provision issued on 19 December 2023, lifting the reservation adopted, ordered a new investigation of the case and the appointment of a court-appointed expert. The hearing for the swearing in of the expert was held on 12 February 2024 and on the same occasion the date of 6 March was set for the start of the investigation. Another hearing was also set for 14 March for cross-examination and oral arguments.

GALA'S SUMMONS TO ARETI, ACEA ENERGIA AND ACEA

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200 million.
GALA also asked the court to find that the conduct of Areti and the other defendants (Acea and Acea Energia) amounted to unfair competition and/or abuse of dominant position, and that they be ordered to pay damages.
The defendants filed an appearance by the legal deadline, rejecting the adverse party's claims and asking that they be dismissed.
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.
In a judgement dated 15 June 2023, in accepting the defence arguments of areti, Acea SpA and Acea Energia, the Court of Rome dismissed all the arguments made by GALA and upheld the counterclaim of areti, declaring the transport contract terminated and ordering GALA to pay the sums requested as compensation in the counter-claim, plus interest. The company was also ordered to reimburse Acea, Areti and Acea Energia for the cost of the proceedings.
Both areti (limited to a marginal aspect) and Gala have filed an appeal against this judgement.
Following the payment, the judgement will be resolved pursuant to articles 181 and 309 of the Code of Civil Procedure.

ACQUE BLU FIORENTINE SPA VS. PUBLIACQUA SPA AND OTHERS

Publiacqua S.p.A is a public/private company that operates the integrated water service in Tuscany through a concession, ATO no. 3

Medio Valdarno. It is 60% held by the municipalities making up the ATO in question and 40% by Acque Blu Fiorentine SpA (ABF), in which, in turn, Acea SpA holds a 75% stake. Publiacqua's concession is in effect until 31 December 2024.
Relations between ABF, a private shareholder, and the public shareholders, have been governed over time not just by the articles of association but also through shareholders' agreements which dictate the governance of the company and called for, to protect the public shareholders, special rules in the case of a decision making deadlock, which may provide the possibility of exercising a purchase option relative to the private shareholders' shares.
Aiming at regional consolidation of public services, starting in 2020 certain Tuscan businesses established the Tuscan multi-utility Alia Servizi Ambientali. In this context, the public shareholders of Publiacqua began a series of actions intended to remove the shareholder ABF from Publiacqua's shareholding structure, which culminated in the annulment of the shareholders' agreement. This led to a series of disputes, some filed with urgency.

While awaiting the rulings against the actions carried out by the public shareholders, the latter:

i) transferred the shares held by various municipalities in favour of the multi-utility Alia Servizi Ambientali, which in this way became a shareholder of Publiacqua;
ii) invoked the "decision making deadlock" with reference to the shareholders' agreement and gave notification that it would exercise its purchase option for the Publiacqua shares held by ABF.

At present, in particular in terms of the second point, the case filed by ABF is still pending with the Court of Florence, which summoned Publiacqua and its public shareholders with the intent of declaring the illegitimacy of the request intended to force ABF to transfer to the public shareholders the stake held by ABF in Publiacqua's share capital. The first hearing, to allow the summons of additional parties, was most recently postponed to 16/11/2023. Following that hearing, the judge granted the parties the deadlines pursuant to article 183, paragraph 6, Code of Civil Procedure and set a hearing for 21/3/2024.

ACQUE BLU ARNO BASSO SPA VS. ACQUE SPA AND OTHERS

Acque SpA is a public/private company that operates the integrated water service in Tuscany through a concession, ATO no. 2 Basso Valdarno. It is 55% held by the municipalities making up the ATO in question, with the remaining 45% held by Acque Blu Arno Basso SpA (ABAB), in which, in turn, Acea SpA holds a 86% stake. Acque's concession is in effect until 31 December 2031.
Relations between ABAB, a private shareholder, and the public shareholders, have been governed over time not just by the articles of association but also through shareholders' agreements which dictate the governance of the company and called for, to protect the public shareholders, special rules in the case of a decision making deadlock, which may provide the possibility of exercising a purchase option relative to the private shareholders' shares.
Back in 2019, the public shareholders formerly annulled the shareholders' agreements and in July 2021 formalised the exercising of the purchase option.
ABAB consequently began a series of legal actions to protect its interests, with the aim of preventing the transfer to the public shareholders of ABAB's equity investment in Acque.
In the context of the case, the public shareholders filed a request to appoint an arbitrator pursuant to article 1349 of the Civil Code, to determine the price due in the case the disputed option right were to be exercised. Following the filing of the preliminary pleadings, the judge (i) appointed the arbitrator; (ii) requested a court-appointed expert to determine the price in the case one was not identified by the third party; (iii) set an attempt for conciliation.
The dispute, after the filing of the consultation and clarification documents provided by the court-appointed expert, the hearing on 11/12/2023 was postponed for the hearing for final arguments on 1/7/2024.

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 IFRS 9 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory Notes
Non-current assets	**7,351**	**0**	**3,871,050**	**3,878,401**	
Other equity investments	7,351	0	0	7,351	16
Total financial assets	0	0	3,871,050	3,871,050	18
Current assets	**0**	**0**	**1,093,647**	**1,093,647**	
Total trade receivables	0	0	169,178	169,178	20
Total current financial assets	0	0	897,531	897,531	20
Other current assets	0	0	26,937	26,937	20
Non-current liabilities	**0**	**161,342**	**4,299,718**	**4,461,060**	
Bonds	0	161,342	3,777,833	3,939,174	24
Medium/long-term borrowings	0	0	521,885	521,885	24
Current liabilities	**0**	**0**	**1,194,645**	**1,194,645**	
Short-term bonds	0	0	641,387	641,387	26
Payables to banks	0	0	32,026	32,026	26
Other financial payables	0	0	297,069	297,069	26
Payables from commodity derivatives	0	0	0	0	26
Total trade payables	0	0	195,220	195,220	26
Other liabilities	0	0	28,943	28,943	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 2023 the Parent Company has uncommitted credit lines of € 425 million, of which € 21 million utilised. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company. Acea also has committed revolving lines for € 700 million, with an average maturity of around 2.9 years. No guarantees were granted in obtaining these lines.
Additionally, on 6 July 2023 Acea signed the contract for the first tranche of € 235 million from the EIB loan to support a portion of the Acea Ato2 investments (Acea Water Sector IV), not utilised at 31 December 2023. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 330 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 € 600 million at 31 December 2023. In 2023, Acea placed bonds for a total of € 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 (93%) as at 31 December 2023, 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 2023 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 € 32.9 million (a negative € 18.0 million at 31 December 2022).

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	4,580,562	4,470,918	109,644	4,346,761	233,801
- fixed rate	125,130	121,727	3,402	114,390	10,740
- floating rate	337,917	360,599	(22,682)	347,287	(9,370)
Total	**5,043,609**	**4,953,244**	**90,364**	**4,808,437**	**235,172**

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in Euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.
A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the «risk adjusted» 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%)	(422.0)
(1.0%)	(313.8)
(0.5%)	(209.0)
(0.25%)	(157.9)
n.s.	0.0
0.25%	(57.9)
0.50%	(9.1)
1.00%	86.2
1.50%	178.7

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 IFRS 13.

COMMITMENTS AND CONTINGENCIES

These amounted to € 867,680 thousand and increased by € 57,080 thousand compared to 31 December 2022 (€ 810,600 thousand).

ENDORSEMENTS AND SURETIES ISSUED AND RECEIVED

These have a negative net balance of € 25,206 thousand, as the endorsements and sureties issued amounted to € 25,763 thousand while those received amounted to € 50,969 thousand.

These saw an increase of € 4,133 thousand compared to the end of the previous year. The change is mainly due to the issue of bank sureties in favour of INPS as part of the isopension programme, for € 2,051 thousand, and the issue of two supplementary bank sureties with respect to those in place, associated with the operation of the water service and pumping stations for the city of Lima, for a total of € 1,974 thousand.

LETTERS OF PATRONAGE ISSUED AND RECEIVED

The balance is positive for € 638,333 thousand, consisting of letters of patronage issued for € 638,536 thousand and letters of patronage received for € 203 thousand.
During the year they underwent an overall decrease of € 51,404 thousand.

The main changes concerned:

- the net increase in guarantees given to various traders in favour of Acea Energia for € 45,676 thousand (of which € 69,000 in new issues and € 23,324 thousand released);
- the decrease in the guarantee in favour of CDP (€ 25,734 thousand) on the account of areti;
- the overall increase 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 approximately € 17,380 thousand;
- the issue of a € 9,003 thousand guarantee in favour of Acea Energia in the interests of Gesesa, to cover trade receivables for which payment terms were extended;
- the issue of a € 1,900 thousand guarantee in favour of Edison Energia SpA in the interest of Ecogena to cover the obligations established in a natural gas supply contract;
- the € 681 thousand in crease in the guarantee provided in the interest of Acea Ato5 in favour of UniCredit to adjust the unsecured credit line granted to Acea Ato5 by the Bank.

THIRD-PARTY ASSETS UNDER CONCESSION

These amount to € 86,077 thousand and have not changed since 31 December 2022 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 2023, equal to € 202,961,039.38, as follows:

- € 10,148,051.97, equal to 5% of profit, to the legal reserve;
- distribution of a total dividend of € 187,042,158.16 to shareholders, corresponding to a dividend of € 0.88 per share;
- € 5,770,829.25 carried forward.

The total dividend (coupon no. 25) of € 187,042,158.16, equal to € 0.88 per share, will be paid starting from 26 June 2024 with coupon detachment on 24 June and record date 25 June.
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 2023

ANNEX 2:
CHANGES OF INVESTMENTS AT 31 DECEMBER 2023

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

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

ANNEX 5:
SEGMENT INFORMATION (IFRS8)

ANNEX NO. 1 – FINANCIAL DEBT AT 31 DECEMBER 2023

€ thousand	31/12/2023	Of which related party transactions	31/12/2022	Of which related party transactions	Change
A) Cash	140,470	0	299,918	0	(159,448)
B) Cash equivalents	0	0	0	0	0
C) Other current financial assets	897,531	559,940	667,283	472,146	230,248
D) Liquidity (A + B + C)	**1,038,001**	**559,940**	**967,201**	**472,146**	**70,800**
E) Current financial debt	(288,583)	(284,050)	(216,600)	(211,354)	(71,982)
F) Current portion of non-current financial debt	(686,313)	(12,974)	(356,223)	0	(330,090)
G) Current financial debt (E + F)	**(974,896)**	**(297,024)**	**(572,824)**	**(211,354)**	**(402,073)**
H) Net current financial debt (G + D)	**63,105**	**262,916**	**394,377**	**260,793**	**(331,273)**
I) Non-current financial debt	(4,470,502)	(90,790)	(4,404,759)	(103,760)	(65,743)
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)	**(4,470,502)**	**(90,790)**	**(4,404,759)**	**(103,760)**	**(65,743)**
Total financial debt (H + L)	**(4,407,397)**	**172,126**	**(4,010,382)**	**157,033**	**(397,016)**
Long-term financial receivables	3,865,098	3,864,548	3,547,241	3,538,039	317,857
Net financial position	**(542,299)**	**4,036,674**	**(463,141)**	**3,695,072**	**(79,159)**

ANNEX 2 – CHANGES IN HOLDINGS AS AT 31 DECEMBER 2023

€ thousand	31/12/2022	Changes in the period: Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2023
Subsidiaries							
Acea Ambiente Srl	39,151	0	0	0	0	0	39,151
Aquaser Srl	61	0	0	0	0	0	61
Acea Energia SpA	277,164	0	0	0	0	0	277,164
Acea Energy Management Srl	50	0	0	0	50	0	100
Acea International SA	20,829	0	0	0	(1,127)	0	19,703
Consorcio Acea - Acea Domenicana	43	0	0	0	0	0	43
Acea Ato2 SpA	585,442	0	0	0	0	0	585,442
Acea Ato5 SpA	108,918	0	0	0	15,058	0	123,977
Acque Blu Arno Basso SpA	14,663	11,000	0	0	0	0	25,663
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 Molise Srl	2,874	0	0	0	0	0	2,874
Sarnese Vesuviano Srl	21,410	0	0	0	0	0	21,410
Adistribuzionegas Srl (formerly Alto Sangro Distribuzione Gas Srl)	26,761	0	0	0	0	0	26,761
ASM Terni SpA	471	2,500	0	0	0	(15)	2,956
Agile Academy Srl (formerly Parco della Mistica)	2	0	0	0	28	0	30
Aquantia Srl	0	325	0	0	0	0	325
areti SpA	683,861	0	0	0	0	0	683,861
a.cities Srl	0	50	0	0	0	0	50
Acea Produzione SpA	173,206	0	0	0	0	0	173,206
Acea Liquidation and Litigation Srl	8,341	0	0	0	0	0	8,341
Acea Infrastructure SpA	7,209	0	0	0	0	0	7,209
TWS SpA	64	0	0	0	0	0	64
Hydreco Scarl in liquidation	0	0	0	0	0	0	0
Total - subsidiaries	**2,033,815**	**13,875**	**0**	**0**	**14,009**	**(15)**	**2,061,685**

€ thousand	31/12/2022	Changes in the period Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2023
Associates							
Aguazul Bogotà SA	296	0	0	0	63	0	359
Umbra Acque SpA	6,851	0	0	0	0	0	6,851
Intesa aretina Scarl	11,505	0	0	0	0	0	11,505
Geal SpA	3,788	0	0	0	0	0	3,788
Umbria Distribuzione Gas SpA	318	0	0	0	0	0	318
DropMI Srl	2,565	2,350	0	0	0	0	4,915
Aqua.lot Srl	0	368	0	0	0	0	368
Ecomed Srl	67	0	0	0	0	(67)	0
Ingegnerie Toscane Srl	58	0	0	0	0	0	58
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
Tirana Acque Scarl in liquidation	0	0	0	0	0	0	0
Total - associates	**25,461**	**2,718**	**0**	**0**	**63**	**(67)**	**28,174**

€ thousand	31/12/2022	Changes in the period Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2023
Other companies							
Polo Tecnologico Industriale Romano SpA	2,350	0	0	0	0	0	2,350
Bonifiche Ferraresi SpA	0	5,001	0	0	0	0	5,001
WRC PLC	0	0	0	0	0	0	0
Total - other companies	**2,350**	**5,001**	**0**	**0**	**0**	**0**	**7,351**

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 2023 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
Revenue from sales and services	43,492	146,323	189,815	0	189,815
Other revenue and income	0	15,223	15,223	0	15,223
Net revenues	**43,492**	**161,547**	**205,039**	**0**	**205,039**
Staff costs	0	70,478	70,478	0	70,478
Costs of materials and overhead	45,477	116,320	161,797	0	161,797
Operating costs	**45,477**	**186,799**	**232,276**	**0**	**232,276**
EBITDA	**(1,985)**	**(25,252)**	**(27,237)**	**0**	**(27,237)**
Net write-downs (write-backs) of trade receivables	0	426	426	0	426
Depreciation, amortisation and provisions	2,286	49,736	52,023	0	52,023
Operating profit/(loss)	**(4,271)**	**(75,414)**	**(79,686)**	**0**	**(79,686)**
Financial income	321	113,832	114,153	0	114,153
Financial charges	(89)	(111,367)	(111,455)	0	(111,455)
Profit/(Loss) on equity investments	0	265,471	265,471	0	265,471
Profit/(Loss) before tax	**(4,039)**	**192,522**	**188,483**	**0**	**188,483**
Income tax	0	(14,020)	(14,020)	0	(14,020)
Net result of continuing operations	**(4,039)**	**206,542**	**202,503**	**0**	**202,503**
Net profit/(loss) from discontinued operations				0	
Net profit/(loss)	**(4,039)**	**206,542**	**202,503**	**0**	**202,503**

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Tangible fixed assets	9,145	103,152	112,298	0	112,298
Real estate investments	0	1,990	1,990	0	1,990
Intangible fixed assets	0	98,268	98,268	0	98,268
Rights of use	0	13,580	13,580	0	13,580
Equity investments in subsidiaries and associates	0	2,089,859	2,089,859	0	2,089,859
Other equity investments	0	7,351	7,351	0	7,351
Deferred tax assets	0	12,895	12,895	0	12,895
Financial assets	7,540	3,863,511	3,871,050	0	3,871,050
Other non-current assets	0	290	290	0	290
Non-current assets	**16,685**	**6,190,895**	**6,207,580**	**0**	**6,207,580**
Trade receivables	3,439	165,739	169,178	0	169,178
Other current assets	0	68,030	68,030	0	68,030
Current tax assets	0	2,210	2,210	0	2,210
Current financial assets	116,985	780,546	897,531	0	897,531
Cash and cash equivalents	0	140,470	140,470	0	140,470
Current assets	**120,424**	**1,156,994**	**1,277,418**	**0**	**1,277,418**
Non-current assets destined for sale	0	0	0	0	0
Total assets	**137,109**	**7,347,889**	**7,484,998**	**0**	**7,484,998**

€ 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	157,838	157,838	0	157,838
Other reserves	0	90,812	90,812	0	90,812
Retained earnings/(losses)	0	161,297	161,297	0	161,297
Profit (loss) for the year	0	202,961	202,961	0	202,961
Shareholders' Equity	0	1,711,806	1,711,806	0	1,711,806
Staff termination benefits and other defined benefit plans	0	22,600	22,600	0	22,600
Provisions for risks and charges	0	14,952	14,952	0	14,952
Borrowings and financial liabilities	0	4,470,502	4,470,502	0	4,470,502
Other liabilities	0	36,724	36,724	0	36,724
Non-current liabilities	**0**	**4,544,778**	**4,544,778**	**0**	**4,544,778**
Borrowings	3,439	971,457	974,896	0	974,896
Payables to suppliers	101,035	94,184	195,220	0	195,220
Tax payables	0	0	0	0	0
Other current liabilities	0	58,297	58,297	0	58,297
Current liabilities	**104,474**	**1,123,939**	**1,228,413**	**0**	**1,228,413**
Liabilities closely associated with assets held for sale	0	0	0	0	0
Total liabilities and shareholders' equity	**104,474**	**7,380,524**	**7,484,998**	**0**	**7,484,998**

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 fiscal year 2023, on any omissions and reprehensible facts identified pursuant to Article 153 of Italian Legislative Decree no. 58/1998 (hereinafter also "TUF") and Article 2429 of the Italian Civil Code.
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 no. 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 Rules of Conduct for the Board of Statutory Auditors, 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, also in light of Article 2086 of the Italian Civil Code and Italian Legislative Decree no. 14 of 12 January 2019 (Code on business crisis and insolvency);
- 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 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 Acea S.p.A. in the year ended 31 December 2023.
In the light of the foregoing, the information contained in Consob Communication no. 1025564/2001 and subsequent amendments and additions is provided below.

Appointment of the Board of Statutory Auditors

The undersigned Board 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 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 2024 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 2023, the Board carried out the activities it was responsible for, holding 24 meetings, each lasting an average of 1 hour and 45 minutes.
The Board of Statutory Auditors also attended all 24 meetings of the Board of Directors and the 12 meetings of the Control and Risks Committee, the 13 meetings of the Appointments and Remuneration Committee, the 8 meetings of the Committee for the Region, the 28 meetings of the Committee for Related Party Transactions (of which 14 in its role as Equivalent Internal Control pursuant to the current procedure for Related Party Transactions), and the 13 meetings of the Ethics, Sustainability and Inclusion Committee.
The Board also attended the Shareholders' Meeting held on 18 April 2023 in ordinary session, at which the Shareholders could attend exclusively through their designated representative, as per applicable regulations.
During the Board of Directors meeting, the Board 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.
The most significant transactions carried out by the Acea Group during 2023 are specified in the documentation submitted to the Shareholders' Meeting, to which reference should be made.
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.
Significant intercompany or related-party transactions are set out in the documents submitted for your approval, to which we refer.

Supervisory activities pursuant to the Consolidated Law on Statutory Audits

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

- 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 "auditor", "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 no. 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 2023. 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 with no objections and with the following emphases of matter:
"*We bring attention to the note 'Investments in subsidiaries and associates' of the financial statements and to the sections 'Water Regulation' and 'Environmental Regulation' of the report on operations, in which the directors explain:*

- *with specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance determined by the most recent tariff arrangements approved by the Area Body with consequent confirmation of the existence of multiple significant uncertainties that could raise significant doubts about the ability of the subsidiary to function as a going concern, and (ii) further uncertainties associated with the ongoing tax disputes and the complex judicial and extra-judicial dispute in progress with the Area Authority related to the charging to the company of contractual penalties for alleged non-fulfilment, to the recognition of receivables related to the higher operating costs incurred in the period 2003-2005 (as per settlement deed of 27 February 2007) and to determination of the concession fees;*
- *the complex regulatory measures, with particular reference to what underlies the water and waste tariff approval process.*

We also bring attention to the notes 'Related Party Transactions – Acea and Roma Capitale' and 'Receivables due from the parent company - Roma Capitale' in the financial statements, in addition to the section 'Relations with Roma Capitale' in the report on operations, in which the directors describe the relations with Roma Capitale and, in particular, the updates related to dialogue for the recognition of the Administration's payable to Acea/Areti with reference to the public lighting service".

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 Auditing 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 auditing activities carried out.

The Additional 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”.
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 36 received the favourable opinion of the Control and Risks Committee and was approved by the Board of Directors.
The Board checked the adequacy, from the methodological point of view, of the impairment testing process to which the accounting assets involved are subjected.
For this test, Acea appointed an external consultant to assist in the analyses carried out to verify the recoverability of the carrying amount of goodwill and the shareholdings recorded in the Company’s consolidated and separate financial statements.
This independent advisor showed how, in carrying out the impairment test as of 31 December 2023, Acea used the forecasts formulated in the 2024 - 2028 Business Plan, as approved at the Board of Directors’ meeting. For companies subject to concessions, the company’s whole life plans for the duration of the concession were used inertially.
The results of the impairment test carried out 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 carried out during the audit procedures pertaining to ATO 5 SpA, a company for which, in the auditor’s opinion, significant uncertainties remain related to the company’s ability to function as a going concern, such that it is unable to express an opinion on the subsidiary’s separate financial statements.
The Board of Statutory Auditors also acquired information with reference to the process of determining the Provisions for Impairment of Receivables through models compliant with the methodologies provided for in IFRS9 (simplified method), which use customised calculation tools, for each company, according to the specific characteristics of the type of business, focusing on the Companies with recurring invoicing and the Provisions for Impairment of Receivables of which are characterised by a high number of customers.
We can inform you that, with reference to the previous financial year 2022, the Board forwarded during 2023 to the Board of Directors the PwC’s Additional Report accompanied by its own observations.
The Board examined the declaration on the independence of the external auditor pursuant to article 17 of Italian Legislative Decree no. 39/2010, which does not indicate situations that have compromised its independence or causes of incompatibility pursuant to articles 10 and 17 of that decree and its implementing provisions.
The Board also acknowledged the Transparency Report prepared by the Auditing Firm and 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 this point, monitoring is in place 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.
We can note in addition that a specific internal regulation is in effect at the Group level, governing operations linked to these checks related to the conferment of appointments for non-audit services.
In accordance with Art. 149-duodecies of Consob Issuers’ Regulations, the financial statements reports the fees accrued by the independent auditors PWC in 2023.
On the basis of the information acquired, the Board notes that, during 2023, with reference to the Acea Group, the PwC network, in addition to the audit assignments provided for by the sharehold-

ers' resolution, were paid fees for other non-audit or audit-related services amounting to € 791 thousand.
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 no. 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 2023". The report confirms the completion of the 2023 plan, in line with the planning presented to the corporate bodies, in addition to the adequacy of the internal and external resources available to the Executive Responsible for managing the 262 Model, considering the size of the Acea Group.
At the end of the assessment process, on the basis of the activities performed, with regard also and taking into account the results of the test activities conducted in accordance with the monitoring plan of the control system on the process of formation of the financial reporting, Acea's Executive Responsible for Financial Reporting decided that she could sign - with no objections - the attestation of Acea's separate and consolidated financial statements at 31 December 2023.
In the light of the information received and the documents examined, having noted the activities under way, also considering the support provided to the Executive Responsible for Financial Reporting 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 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 2023 Sustainability Report/NFS has been prepared in accordance with the updated version of the Global Reporting Initiative Standard.
As regards the Taxonomy, Acea decided to anticipate the obligations set out by the regulation, reporting from as early as the financial year in question on the eligibility and alignment of its activities with all six environmental goals (climate change mitigation, climate change adaptation, sustainable use and protection of water, circular economy, pollution prevention and reduction, and protection of biodiversity and ecosystems).
The second Acea climate-related disclosure (using 2022 figures) was published according to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), expanding the number of "water" companies involved and the range of risks investigated (physical and/or transition).
Acea received validation of its reduction targets for 2032 for direct and indirect greenhouse gas from the Science Based Targets initiative (SBTi).
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 formulated a recommendation to promote all necessary initiatives in order to strengthen the system of internal controls for non-financial reporting, to be developed in line with the projects required to ensure fulfilment of the disclosure obligations arising from the CSRD.

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

Internal Control System

The Board, 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 Reports as at 31 December 2023 of the Internal Audit Function, the Control and Risks Committee, the 231 Supervisory Body, and the second-level control entities.
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 and Sustainability 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

The analysis of the reports on second-level control measures found that:

- the activities conducted by the Anti-Corruption Function were aimed at an initial implementation of the anti-corruption framework in Acea, which was considered suitable by the external certifying body for the purposes of ISO 37001 "Anti-bribery management systems" certification, achieved by Acea in September 2023;
- 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 and issued 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 activities carried out by the Head of the Prevention and Protection Service (RSPP) on topics related to health and safety at work within the Acea Group confirmed the existence of an effective management system for safety in the workplace, with no significant issues raised to be reported in this report.
- the Company updated the Organisation, Management and Control Model, pursuant to Legislative Decree 231/01. The aim of the update was a full review of the document and project outputs, with reference to: i) an update of the risk assessment methodology, for the purpose of an alignment with the additional methodologies used within the company; ii) a new assessment concerning all cases of predicate offences considered by the legislative decree (until the new changes introduced in August 2023), and iii) a review of the structure of the Model itself, involving a redesign of the Special Part according to a "process-driven" approach, with the aim of increasing the usability of the document and promoting the application of the principles contained therein;
- the Company updated the "Acea Group's Whistleblowing Policy", approved by the BoD of ACEA on 10 November 2023, in line with the provisions of Italian Legislative Decree no. 24/2023 and the Guidelines published by ANAC;
- the overall assessment of privacy compliance by the Data Protection Officer was positive. In the DPO's opinion, the control measures envisaged by the privacy governance framework appear to be implemented correctly, in line with legislation. In light of the significant corporate reorganisation in 2023, areas for improvement remain in terms of greater integration within various inter-function and compliance areas, intended to create more awareness and better efficiency of processes, including in relation to time frames. To this end, specific actions were launched.

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.
The Manager of the Internal Audit Function 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.
The 2023 annual report of the Internal Audit Function notes how the audits are structured in order to incorporate useful evidence for formulating the opinion from different sources, in particular:
- in the context of monitoring certain relevant processes of the Internal Control and Risk Management System ("ICRMS"), the various events highlighted by each Key Risk Indicator were analysed and verified and, downstream of this activity, no irregularities have emerged;
- 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 (still under way);
- the discussions held during the year with the managers of the second-level audits and their reports show adequate resilience of the system, highlighting aspects for improvement already included in the planning activities in progress.

The Head of the Internal Audit Function communicated that the audits performed by the Internal Audit Function found:
- significant shortcomings in aspects of IT security, which require considerable measures on the control system and on internal governance to monitor such risks. Management took prompt charge of these measures;
- the need to review the operating control model for recently acquired companies in the environment area, in order to guarantee that the operating processes are aligned and fully compliant with security and environment, and that there is effective monitoring of periodic results;
- the absence of critical aspects that could adversely affect the reliability of the ICRMS (Internal Control and Risk Management System) as a whole, including in residual situations in which the internal regulatory system has not yet been updated with respect to the best practices operated;
- that the remaining corrective actions identified in the context of the audit activities conducted in previous years which as of today have not yet been completed, will be defined through the completion of the update of the corporate regulatory system and in the various projects still in progress.

An extensive review of the aforementioned findings reveals that, with the exception of the information reported above on IT security risks and the operating control model for recently acquired companies in the environment area, the Head of the Internal Audit Function believed that the design gaps found in the activities do not generate, in operations, situations such as to undermine the resilience of the overall Internal Control and Risk Management System adopted by Acea and its subsidiaries and, therefore, believed that the Internal Control and Risk Management System adopted by Acea and its subsidiaries is functioning, adequate and consistent with the current Guidelines on the ICRMS, despite the fact that there are a number of project activities attributable to components of the same that have not been finalised in 2023.
The Board of Statutory Auditors highlights the need to complete: (i) the initiatives that management took charge of in order to overcome the shortcomings in aspects of IT security (which require considerable measures on the control system and on internal governance to monitor such risks), and (ii) certain planning activities for the overall improvement of the internal control and risk management system (including in order to implement the management and coordination regulation in the most effective manner through a defined Group governance model, also comprising dedicated governance flows in line with said governance model and, as a result, to make it possible to update the guidelines on the internal control and risk management system), launched recently and not finalised in 2023.
In light of the activities performed by the Internal Audit Function, the second-level control audits and the internal board committees in the current reporting period, the Board of Statutory Auditors has no further observations to make to the Shareholders' Meeting on the functioning and adequacy of the internal control and risk man-

agement system.
The Board hopes also that further coordination is promoted between control oversight, of both second and third level, with reference to both planning activities and, above all, in the process of ever-increasing integration and efficacy of reporting to the Corporate Bodies on findings resulting from audits performed.

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.
The Risk Management Function stated that it performed quarterly monitoring of 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.
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.
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 is developing significant planning initiatives pertaining to said strategic infrastructures, it is necessary that planning and execution activities be developed with considerable attention the monitoring of legality and 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 produced from time to time during Board of Directors meetings, focusing its attention on the existence of:
- an organisational chart and related company documentation detailing the roles and responsibilities of the organisational structures;
- an effective and efficient system of delegations and powers of attorney;
- 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 of Statutory Auditors was informed of the ongoing activities to update the Group's regulatory system and to implement the Regulation governing the management and coordination powers and duties of the Parent Company.
The Board of Statutory Auditors notes the significance of the opportunity for the administrative body to receive, at least annually, an organic document on the organisational structure of the company and its subsidiaries of strategic importance, useful for optimising internal operations, improving productivity, reducing risk and ensuring compliance with laws and the applicable regulations.

Remuneration policies

The Board 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 "2023 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 2023 takes into consideration the contents of the 2024–2028 Strategic Plan approved by the Board of Directors.
In relation to performance objectives, the Board of Statutory Auditors considered commendable, among other things, that the Acea Group is pursuing an even greater integration of sustainability into its business, through the gradual alignment of the performance management system with the ESG (environmental, social and governance) goals outlined in the Strategic Plan, while paying the necessary attention to the objective measurability of these goals when identifying them.
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, TUF), updated by Italian Legislative Decree no. 49/2019, which contains the provisions necessary for implementation of Directive EU 2017/828 of the European Parliament and Council of 17 May 2017 (SHRD II), which amended Directive 2007/36/EC (SHRD) relative to encouraging long-term commitment from 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.
At the beginning of 2023, in fact, Acea was the victim of a Ransomware hacker attack. The event did not require any adjustments to the data and information utilised in the preparation of the 2022 financial statements of Acea and the Group companies, as also confirmed by the statements released at the reporting date by the external company to which the technical verification and recovery activities were assigned. The relevant functions of Acea reported that analyses of the event by the Italian Data Protection Authority are still in progress and did not communicate any further relevant information between the period following the event and the date of this document.
An overall action plan is ongoing, intended to overcome the critical issues also raised by the Internal Audit Function, monitored by the Head of Security & Cyber Defence.
The Board of Statutory Auditors reiterates the importance, as

mentioned in its previous reports, of paying particular attention to the strengthening of cybersecurity, providing for measures 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.
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, 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

As required by art. 149 of the TUF, in the performance of its duties the Board:

- 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 declares its compliance. Pursuant to art. 123-bis of the Consolidated Finance Act and art. 144-decies of the Issuers Regulation, Acea prepared the annual "Report on Corporate Governance and Ownership Structures". The Board has verified that the Report on Corporate Governance and Ownership Structure 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;
- it exchanged information with the Boards of Statutory Auditors of subsidiary 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 concerning the supervisory activities carried out by them during 2023. From the analysis of these questionnaires, 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 carried out with the direct cooperation of the Internal Audit Function.

During the course of the financial year, the Board 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;
- 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 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 controls, from which it concluded that the control environment was substantially adequate to the requirements of the aforementioned Article 15.
The Board 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.
The Board of Statutory Auditors did not receive any reports pursuant to Article 2408 of the Italian Civil Code.
As a result of the supervisory activities carried out by the Board, no reprehensible facts, omissions or irregularities have emerged that should be included in this Report.
The Board 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, pursuant to Article 153, paragraph 2 of the TUF, to the extent of its remit the Board of Statutory Auditors has not found any reasons preventing the proposed approval of the separate financial statements at 31 December 2023, or the proposed allocation of the results for the year, as formulated by the Board of Directors.

Rome, 21 March 2024

The Board of Statutory Auditors

Maurizio Lauri
Claudia Capuano
Leonardo Quagliata

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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 2023

Independent auditor's report

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

To the Shareholders of
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 2023, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Emphasis of matters

We draw attention to note "Investments in subsidiaries and associates" to the financial statements and to paragraphs "Water Regulation" and "Environmental Regulation" of the report on operations where the directors described:

PricewaterhouseCoopers SpA

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- With specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance arisen from the most recent tariff provisions approved by the Area Authority with the consequent confirmation of the existence of several 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 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 notes "Related Party Transactions – Acea and Roma Capitale" and "Receivables due from the Parent Company - Roma Capitale" to the financial statements, as well as to paragraph "Relations with Roma Capitale" of the Report on Operations, where the directors described the relations with Roma Capitale and in particular the updates related to the 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 2023 investments in subsidiaries and associates for an amount equal to Euro 2,090 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 IAS 36 "*Impairment of assets*", comparing their book value with their estimated	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. In particular, with reference to the investee companies in relation to which impairment

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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 2024-2028 Business Plan of the Group approved by the Board of Directors on 5 March 2024. With reference to the financial statements for the year ended 31 December 2023, 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.	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 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2023 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. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

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 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the 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. 58/98, with the financial statements of Acea SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the 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 2023 and are prepared in compliance with the law.

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

Rome, 21 March 2024

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 Sabrina Di Bartolomeo, 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 2023.

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, 05 March 2024

signed by: Fabrizio Palermo, the CEO
signed by: Sabrina Di Bartolomeo, the Executive Responsible for Financial Reporting

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