


Consolidated Interim Financial Report

ACEA Group 2023

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ACEA Organisational Model

ACEA is one of the major Italian multiutilities and has been listed on the stock exchange since 1999.

ACEA adopts an operational model based on an organisational layout in line with the Strategic Business Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. ACEA's macrostructure is based around the corporate functions and seven industrial areas – Environment, Commercial and Trading, Water, Energy Infrastructure, Engineering and Services, Generation and Overseas.

The activities of each business segment are described below.

Environment

The Acea Group is one of the leading national players with around 1.70 million tonnes of waste processed each year. At the various treatment and disposal plants operated in seven regions there is a main waste-to-energy plant and the largest anaerobic digestion and composting plant in Lazio region. The Group pays particular attention to the development of investments in the waste-to-energy and waste-recycling business, which is considered to have high potential, in line with the strategic objective of environmental and energy enhancement of waste, as well as its recovery and recycling in the plastics, paper and metals sectors and in the production of high-quality compost.

Commercial and Trading

The Acea Group is one of the leading Italian players in the sale of electricity and offers innovative and flexible solutions for the supply of electricity and natural gas with the objective of consolidating its positioning as a dual fuel operator. It operates on the market segments of medium-sized enterprises and households with the objective of improving the quality of the services offered with particular regard to web and social channels. It supervises the Group's energy management policies. The Segment also has the objective of developing and searching for innovations and start-ups to launch testing projects in the technological field.

Water

The Acea Group is the top Italian operator in the water sector serving 9 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria, Campania and Molise. The Group is also in Abruzzo, Molise and Campania, as it has entered the methane distribution market in the Municipality of Pescara, the Province of L'Aquila, the Provinces of Campobasso and Isernia and the Province of Salerno.

Energy Infrastructure

The Acea Group is a major operator in Italy with over 9.0 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of more than 230,000 lights. The Acea Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects.

Generation

The Acea Group is one of the main national operators in the field of generation from renewable sources and is involved in energy efficiency projects and energy solutions in the business segment, particularly focused on finding innovative approaches to managing production assets and implementing new production capacity that reduces the Group's carbon footprint.

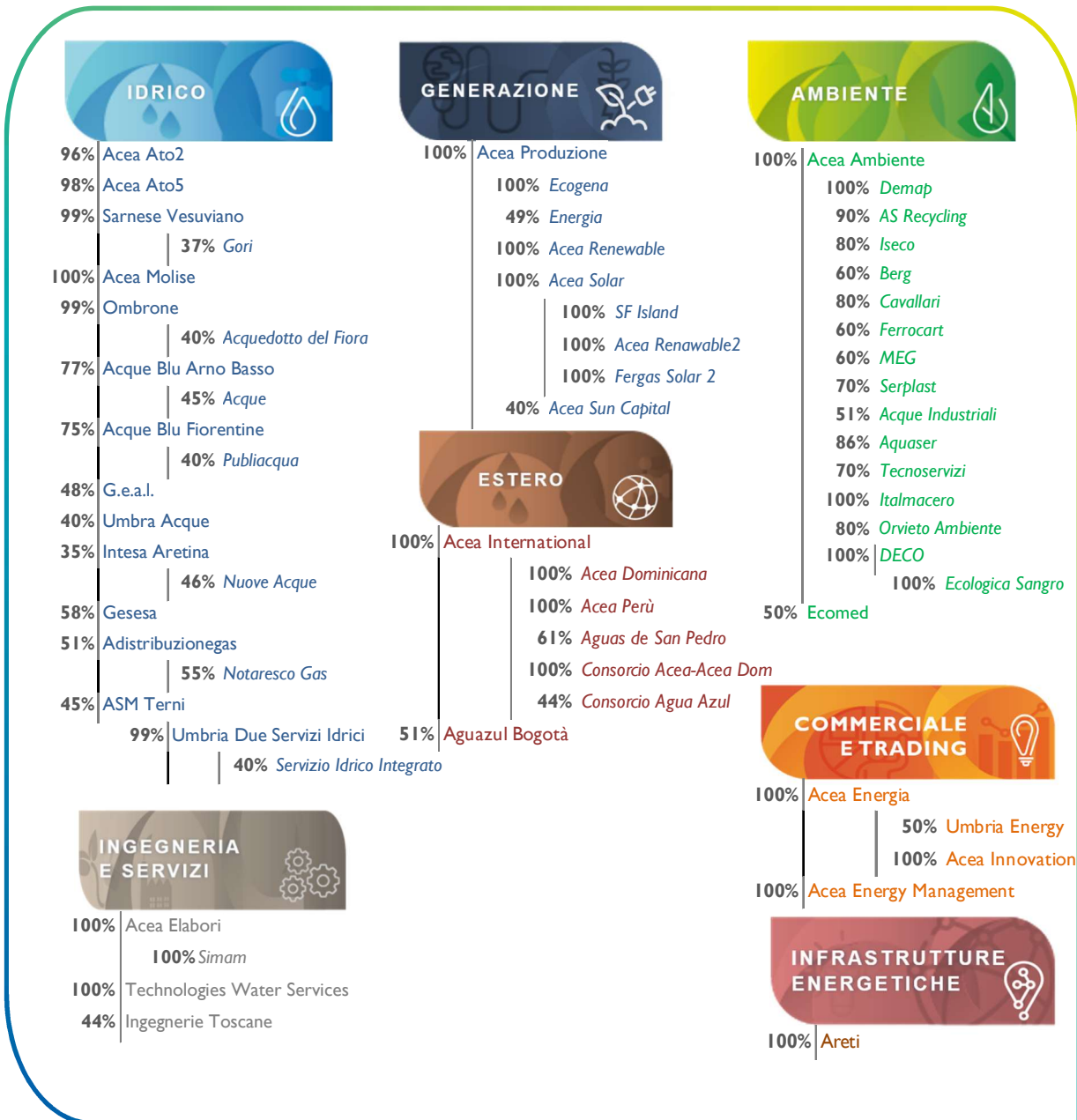
Engineering and Services

The Acea Group has developed know-how at the forefront in the design, construction and management of integrated water systems: from the source to the pipelines, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. Laboratory and engineering consultancy services are of particular importance. The Acea Group is also engaged in the design and creation of plants for the environment and for the treatment of water and waste.

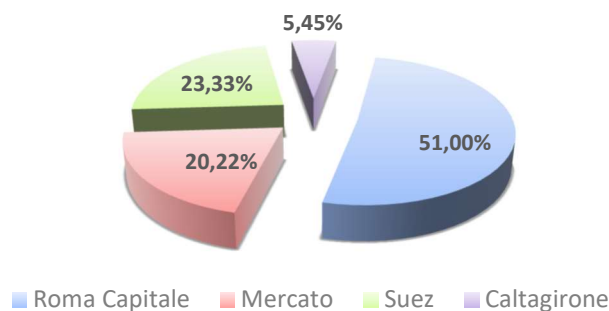
Overseas

The Acea Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy. It is present in Honduras, Dominican Republic and Peru, serving a population of approximately 10 million inhabitants. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

The Group structure, in the various business segments, comprises the following main companies.



The share capital of ACEA S.p.A. at 30 June 2023 was made up as follows:



*The above chart only shows equity investments of more than 3%, as confirmed by CONSOB data

Corporate bodies

Board of Directors*

Barbara Marinali	Chairperson
Fabrizio Palermo**	Chief Executive Officer
Antonella Rosa Bianchessi	Director
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo Del Sasso	Director
Antonino Cusimano	Director
Thomas Devedjian	Director
Elisabetta Maggini	Director
Luisa Melara	Director
Angelo Piazza	Director
Alessandro Picardi	Director
Vincenza Patrizia Rutigliano	Director
Nathalie Tocci	Director

Board of Statutory Auditors

Maurizio Lauri	Chairperson
Claudia Capuano	Standing Auditor
Leonardo Quagliata	Standing Auditor
Rosina Cichello	Alternate Auditor
Vito Di Battista	Alternate Auditor

Executive Responsible

Sabrina Di Bartolomeo***

**appointed by the Shareholders' Meeting on 18 April 2023*

***appointed by the Board of Directors on 3 May 2023*

****appointed by the Board of Directors on 23 June 2023*

Summary of Results

Income statement data (€ million)	30/06/2023	30/06/2022	Change	% Change
Consolidated Net Revenue	2,296.2	2,347.7	(51.5)	(2.2%)
Consolidated Operating Costs	1,638.8	1,681.2	(42.4)	(2.5%)
Net Income/(Expense) from commodity risk management	0.0	0.0	0.0	n.s.
Profit / (loss) from non-financial equity investments	13.0	16.0	(3.0)	(18.8%)
EBITDA	670.4	682.5	(12.1)	(1.8%)
Operating profit/(loss)	300.0	348.3	(48.3)	(13.9%)
Net profit/(loss)	162.1	198.0	(35.9)	(18.1%)
<i>Profit/(Loss) due to third parties</i>	<i>19.7</i>	<i>15.0</i>	<i>4.7</i>	<i>31.1%</i>
Net profit/(loss) attributable to the Group	142.5	183.0	(40.6)	(22.2%)

EBITDA (€ million)	30/06/2023	30/06/2022	Change	% Change
Environment	42.4	58.3	(15.9)	(27.2%)
Commercial and Trading	55.5	38.4	17.1	44.4%
Overseas	18.6	15.4	3.2	20.9%
Water	353.3	353.7	(0.4)	(0.1%)
Energy Infrastructure	186.2	181.1	5.1	2.8%
Generation	30.8	52.0	(21.2)	(40.7%)
Engineering and services	2.6	4.8	(2.2)	(45.3%)
Corporate	(19.0)	(21.3)	2.2	(10.4%)
Total EBITDA	670.4	682.5	(12.1)	(1.8%)

Financial position data (€ million)	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Net Invested Capital	7,527.4	7,194.9	332.5	4.6%	6,766.4	761.0	11.2%
Net Financial Debt	(4,798.3)	(4,439.7)	(358.6)	8.1%	(4,212.1)	(586.2)	13.9%
Consolidated Shareholders' Equity	(2,729.1)	(2,755.2)	26.1	(0.9%)	(2,554.4)	(174.7)	6.8%

Investments (€ million)	30/06/2023	30/06/2022	Change	% Change
Environment	18.3	18.5	(0.2)	(0.9%)
Commercial and Trading	23.7	20.6	3.1	15.1%
Overseas	1.7	1.6	0.1	3.8%
Water	337.5	259.7	77.8	29.9%
Energy Infrastructure	128.8	135.9	(7.1)	(5.2%)
Generation	25.3	19.5	5.8	29.7%
Engineering and services	2.3	1.8	0.5	25.4%
Corporate	10.3	12.7	(2.4)	(19.0%)
Total Investments	547.7	470.2	77.5	16.5%

*The figure for investments in the segment is shown gross of € 44.6 million for 2023 and € 8.5 million for 2022 referred to the investments financed.

Net Financial Position (€ million)	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Environment	428.4	351.5	76.9	21.9%	335.5	92.9	27.7%
Commercial and Trading	(204.8)	(144.9)	(59.9)	41.3%	(234.4)	29.6	(12.6%)
Overseas	(29.9)	(26.6)	(3.3)	12.4%	(21.8)	(8.0)	36.8%
Water	1,950.8	1,796.2	154.6	8.6%	1,752.9	197.9	11.3%
Energy Infrastructure	1,940.0	1,785.2	154.8	8.7%	1,817.2	122.8	6.8%
Generation	227.3	160.5	66.8	41.6%	113.2	114.0	100.7%
Engineering and services	48.8	24.0	24.8	103.1%	45.6	3.2	7.0%
Corporate	419.1	471.6	(52.5)	(11.1%)	395.1	24.0	6.1%
Total Net Financial Position	4,779.7	4,417.5	362.2	8.2%	4,203.2	576.5	13.7%

Summary of operations and income, equity and financial performance of the Group

Definition of alternative performance measures

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

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

- ☉ For the Acea Group, the EBITDA is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding Operating profit/loss (EBIT) to “Amortisation, depreciation, provisions and impairment”, insofar as these are the main non-cash items;
- ☉ financial debt is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings (“Short-term loans”, “Current part of long-term loans” and “Current financial liabilities”) and long-term borrowings (“Long-term loans”) and the related derivative instruments (“Non-current financial liabilities”), net of “Cash and cash equivalents” and “Current financial assets”;
- ☉ the net financial position is an indicator of the ACEA Group's financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), Current financial payables and other Current financial liabilities net of current financial assets and Cash and cash equivalents;
- ☉ net invested capital is the sum of “Current assets”, “Non-current assets” and Assets and Liabilities held for sale, less “Current liabilities” and “Non-current liabilities”, excluding items taken into account when calculating the net financial position;
- ☉ net working capital is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the net financial position.

Summary of Results: economic performance

Income statement data (€ million)	30/06/2023	30/06/2022	Change	% Change
Revenue from sales and services	2,219.8	2,256.8	(37.0)	(1.6%)
Other revenue and proceeds	76.4	90.8	(14.5)	(15.9%)
Costs of materials and overhead	1,464.0	1,528.5	(64.5)	(4.2%)
Staff costs	174.8	152.7	22.1	14.5%
Net Income/(Expense) from commodity risk management	0.0	0.0	0.0	n.s.
Profit / (loss) from non-financial equity investments	13.0	16.0	(3.0)	(18.8%)
EBITDA	670.4	682.5	(12.1)	(1.8%)
Amortisation, depreciation, provisions and impairment charges	370.4	334.2	36.2	10.8%
Operating profit/(loss)	300.0	348.3	(48.3)	(13.9%)
Financial operations	(67.4)	(43.7)	(23.7)	54.1%
Equity investments	0.7	19.1	(18.4)	(96.2%)
Profit/(loss) before tax	233.4	323.7	(90.3)	(27.9%)
Income tax	71.2	125.7	(54.4)	(43.3%)
Net profit/(loss)	162.1	198.0	(35.9)	(18.1%)
Profit/(Loss) due to third parties	19.7	15.0	4.7	31.1%
Net profit/(loss) attributable to the Group	142.5	183.0	(40.6)	(22.2%)

With reference to the 2023 financial year, it should be noted that:

- On 30 January 2023, Citelum Acea Napoli Illuminazione Pubblica was liquidated and removed from the Business Register;
- on 10 February 2023, Aqua.iot S.r.l. and Aquantia S.r.l. were established; the corporate purpose of the companies is the production, marketing and distribution of water meters to companies operating in the water industry in Italy. Aqua.iot S.r.l. is 65% owned by SUEZ International SAS and 35% owned by Acea, while Aquantia S.r.l. is 65% owned by Acea and 35% owned by SUEZ International SAS;
- on 1 March 2023, Orvieto Ambiente was established, wholly owned by Acea Ambiente, into which the business unit for the mechanical sorting, composting and waste disposal plant at the site in the Municipality of Orvieto was transferred. 20% of the equity investment was transferred at the second closing of the business combination with ASM Terni, cited below;
- on 19 April 2023, the second closing of the stage of the business combination with ASM Terni was signed, following the completion of the public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors. Following the second closing, the Group held a 45% equity investment;
- on 21 April, ACEA completed the acquisition of the remaining 30% of SIMAM (Servizi Industriali Manageriali Ambientali), a company specialising in the engineering, construction and management of water and waste treatment plants, in environmental works and reclamation, with hi-tech integrated solutions.

With respect to the situation as at 30 June 2022 the following changes occurred within the scope of consolidation:

- on 30 June 2022, the acquisition by Acea Ambiente of the business unit known as Polo Cirsu was signed after participation in the competitive bidding process begun with the notice of sale issued by the Court of Teramo. This business unit consists of: (i) a landfill known as "Grasciano1", completely depleted of authorised volumes; (ii) a landfill known as "Grasciano2", consisting of a first lot of 234,000 M3 and a second lot to be built, with an authorised volume of 246,000 M3; (iii) a recycling and composting plant and a platform to utilise separate waste;
- on 29 July 2022, Acea Solar signed the purchase of 17 vehicle companies in the Basilicata region (Marmaria Group), each the holder of development projects for ground-mounted monoaxial photovoltaic plants. The total power is estimated at 340 MWp, with annexed storage systems for 170 MWp of power;
- on 1 September 2022, Acea Renewable 2 S.r.l. and Fergas Solar 2 S.r.l. were established, both fully held by Acea Solar to complete the transfer of photovoltaic assets for plants constructed in the industrial and agricultural area. The establishment of the two companies is part of the project to deconsolidate the photovoltaic segment, begun on 22 March 2022, and which calls for a second closing, involving the transfer of plants that will be connected and operating on the date of the transaction;
- on 1 October 2022, the partial demerger of Romeo Gas S.p.A. was completed, implemented through the assignment of equity shares in favour of Adistribuzione Gas. The purpose of the operation is part of an overall corporate reorganisation which guarantees a more efficient management of gas distribution concessions;
- on 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi S.r.l., a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of Municipalities, entities and businesses;

- on 3 November 2022, Acea Ambiente, through its subsidiary Cavallari S.r.l., completed acquisition of 100% of Italmacero S.r.l., a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste;
- on 22 November 2022, the reverse merger by incorporation of AE Sun Capital with the subsidiary Acea Sun Capital was complete. The merger is part of an investment project involving the renewable energy sector and was implemented to achieve advantages through unification of processes, structures, achieving synergies and economies of scale, as well as cost efficiencies;
- on 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, as already mentioned in the main events of 2023;
- on 19 December 2022, DROPMI S.r.l. was established, which carries out research and engineering for next generation water metres, that can operate and be monitored remotely, and also develops smart water solutions for the domestic and international markets.

The table below shows the main impact of the change in the consolidation scope at 30 June 2023 (gross of intercompany adjustments).

€ million	Tecnoservizi/Italmacero	ASM Terni	Energy Box	Polo Cirsu Business Unit	Total
Consolidated Net Revenue	9.7	34.4	(5.6)	8.8	47.2
Consolidated Operating Costs	8.1	29.1	(1.1)	3.3	39.4
EBITDA	1.6	5.3	(4.9)	5.4	7.4
Operating profit/(loss)	0.1	1.8	(4.9)	3.0	0.1
Profit/(loss) before tax	(0.3)	1.8	(3.5)	2.4	0.4

At 30 June 2023 revenues from sales and services amounted to € 2,219.8 million, down by € 37.0 million (- 1.6%) with respect to the same period the previous year. This decrease is mainly attributable to lower revenues from sales of electricity (- € 122.5 million) and gas (- € 11.3 million) due to the increase in unit prices seen in the first half of 2022, as well as lower quantities and lower revenues from managing the electricity incentive payment (GRIN), due to different scheduling for GRIN incentives by the GSE (- € 3.4 million). This change was offset by **i)** greater revenues from waste delivery and landfill management (+ € 29.0 million) almost entirely due to the change in the scope of consolidation (+ € 28.5 million); **ii)** greater revenues from the integrated water service (€ 24.4 million) mainly due to the increase in tariff revenue following the biennial tariff update for 2022-2023; **iii)** greater revenues from services to customers (+ € 20.6 million) in part due to the increase in Simam inventories (+ € 5.5 million) associated with multi-year contracts, as well as the increase in contract work in progress for energy efficiency projects for Acea Innovation (+ € 5.0 million) and Umbria Energy (+ € 2.9 million), greater revenues from the public lighting service (€ 4.2 million) due to extraordinary maintenance and security activities, and for the remaining portion, the change in the scope (+ € 2.4 million); **iv)** greater revenues from sustainable development (+ € 20.4 million) associated with sales, installation and customer assistance for activities and services associated with energy efficiency, smart services and smart comp projects.

Electricity sales on the Free Market totalled 2,724 GWh with a 10.6% reduction on the previous year, while electricity sales on the Greater Protection Service totalled 624 GWh with a 14.8% decrease on an annual basis. This reduction was affected by the automatic assignment of “small” customers and “micro” enterprises to the Gradual Protection Service, created starting from 1 January 2021 and in part to the decrease in the number of customers.

Other revenue shows a decrease of € 14.5 million (- 15.9%) with respect to the same period the previous year. This change is due to opposing effects, for the most part influenced by lower revenues coming from technical quality premiums received in the first half of 2022 for companies in the water sector (€ 26.9 million) for the years 2018-2019 (Resolution 183/2022/R/idr of 26 April 2022) while, with reference to the years 2020-2021, the relative quantification has not yet been completed by the Authority; these effects were offset by **i)** greater revenues associated with the recognition of contributions for Regional Works for the years 2018-2021 (+ € 4.5 million) by Gori; **ii)** greater revenues for CMOR indemnities claimed by Acea Energia (+ € 2.3 million); **iii)** greater revenues from the IFRIC 12 margin (+ € 2.7 million) following greater investments.

External costs show an overall decrease of € 64.5 million (- 4.2%) with respect to 30 June 2022. The change is due to the reduction in costs associated with electricity procured on the free market and the gradual protection market (- € 133.6 million) in line with that seen in revenues. This reduction was offset by the increase in **i)** costs for services and contracts (+ € 55.5 million), of which € 18.4 million attributable to the change in scope, € 26.1 million deriving from energy efficiency projects, € 6.2 million from smart services projects and € 2.9 million from the CMOR component, directly correlated with the changes in revenues; **ii)** costs to purchase materials (+ € 7.0 million) due to higher Simam inventories; **iii)** costs to lease third-party assets (+ € 4.8 million) due in part to greater costs for software license and in part to higher easement and state indemnities; **iv)** concession fees (+ € 1.2 million).

Staff costs increased with respect to the same period in the previous year by € 22.1 million (+ 14.5%), mainly influenced by the change in scope (+ € 12.4 million), as well as the increase in salaries and wages deriving from the incremental effect on payment components and the changes in national collective labour contracts.

The average number of employees was 10,444, an increase of 842 units with respect to the same period the previous year, influenced for the most part by the change in scope (+ 472 units).

€ million	30/06/2023	30/06/2022	Change	% Change
Personnel costs including capitalised costs	276.0	250.3	25.8	10.3%
Costs capitalised	(101.2)	(97.6)	(3.7)	3.8%
Staff costs	174.8	152.7	22.1	14.5%

Income from equity investments of a non-financial nature represents the consolidated result according to the equity method included among the components forming the consolidated EBITDA of the strategic companies.

€ million	30/06/2023	30/06/2022	Change	% Change
EBITDA	76.3	75.6	0.7	0.9%
Amortisation, depreciation, impairment and provisions	(55.8)	(52.1)	(3.7)	7.1%
Profit/(Loss) on equity investments	0.0	0.0	0.0	n.s.
Financial operations	(2.7)	(1.5)	(1.2)	80.9%
Taxes	(4.8)	(5.9)	1.1	(19.1%)
Income from equity investments of a non-financial nature	13.0	16.0	(3.1)	(19.3%)

The EBITDA for these companies fell by € 3.1 million, in part influenced by the change in the scope with reference to deconsolidation of the photovoltaic companies in March 2022.

EBITDA went from € 682.5 million at 30 June 2022 to € 670.4 million at 30 June 2023, with a reduction of € 12.1 million, or 1.8%. It should be remembered that the first half of 2022 was affected by two events not seen in 2023, specifically the technical quality premiums for companies in the water sector (€ 26.9 million) and the sale of the 2021 CO₂ quotas (€ 11.1 million). The change in the scope of consolidation (before intercompany elisions) resulted in an increase of € 7.4 million, mainly due to consolidation of the Polo Cirsu business unit in Acea Ambiente (+ € 5.4 million), ASM Terni (+ € 5.3 million) and Tecnoservizi (+ € 1.6 million). This increase was offset by effects deriving from the deconsolidation of the photovoltaic companies (- € 4.9 million), following the transfer of control over Acea Sun Capital Holding and its subsidiaries (known as the Energy Box operation).

With the scope held equal, the reduction is EBITDA is € 19.5 million, mainly due to the following opposing effects: **i) Generation Segment** - € 16.4 million mainly due to Acea Produzione (- € 13.7 million) following lower margins deriving from hydroelectric production (- € 11.3 million) although accompanied by an increase in volumes with respect to the same period the previous year (+56.9 GWh) but affected by the significant reduction in prices on energy markets (the average MGP price for January-June 2023 was € 136/MWh, compared to € 248/MWh during the same period of 2022), as an effect of the Supports Decree Law on revenues for the hydroelectric plant in Sant'Angelo and the effect of the cap (€ 180/MWh) introduced in the 2023 Budget Law, as well as lower margins on thermoelectric production and district heating (- € 1.2 million) as a consequence of the reduction in prices and lower quantities, in part offset by lower gas effects due to the price effect and the stoppage of the plant in January and February 2022; **ii) Environment Segment** - € 22.9 million mainly due to the decrease recorded by Acea Ambiente (- € 22.2 million) as a consequence of lower sales of CO₂ for a total of € 11.1 million and in part due to lower margins on compost (- € 4.8 million) and higher costs for disposal and maintenance at WTE plants (€ 5.1 million). Demap offset this effect by € 1.7 million, which during the first few months of 2022 suffered from the stoppage following the fire at the end of 2021; **iii) Commercial and Trading Segment** + € 17.1 million, mainly due to the increase in the margin on gas sales (+ € 11.7 million) and the margin deriving from energy management activities (+ € 2.3 million). The energy margin contributed € 2.0 million to the increase, deriving from the opposing effects of higher margins on energy sales on the free market (+ € 4.6 million) and the Gradual Protection service (+ € 2.2 million), activated on 1 April 2023, offset by the lower margin coming from sales on the protected market (- € 4.8 million). The higher margin recorded by Acea Energia for energy efficiency and smart services contributed to the increase (+ € 0.6 million) as did the Acea Innovation margin (+ € 1.6 million) on e-mobility, smart services and smart comp activities; **iv) Energy Infrastructure Segment** + € 5.1 million relative to areti (+ € 4.7 million) as a consequence of opposing effects deriving from energy balancing (+ € 5.3 million) and cost efficiency (+ € 1.5 million), offset by the effects of the resilience plan (- € 2.9 million); finally, note the improvement in margins seen for activities associated with management of the public lighting service in the Municipality of Rome (+ € 1.2 million) linked to extraordinary maintenance, modernisation and security activities; **v) Water Segment** - € 5.7 million deriving from the recognition the previous year of technical quality premiums for water sector companies (- € 26.9 million) for the years 2018-2019 (Resolution 183/2022/R/idr of 26 April 2022) offset in part by higher tariff revenues recorded by ACEA Ato2 (+ € 13.4 million), Gori (+ € 4.0 million) and Acquedotto del Fiora (+ € 1.7 million) following the 2022-2023 biennial tariff update and the recognition by Gori of contributions for Regional Works for the years 2018-2021 (+ € 4.5 million); **vi) Foreign Segment** + € 3.2 million deriving mainly from Aguas de San Pedro (+ € 3.0 million) for greater volumes invoiced (+3%) and a tariff increase due to inflation; **vii) Engineering and Services Segment** - € 2.2 million mainly due to Simam (- € 1.5 million) as a consequence of lower construction and water treatment activities with respect to the same period the previous year, as well as to TWS (- € 0.3 million) due to the reduction in the margin for construction and project supervision due to postponing of work orders.

EBIT amounted to € 300.0 million, decrease of € 48.3 million with respect to the same period the previous year. Below are details of the items influencing EBIT.

€ million	30/06/2023	30/06/2022	Change	% Change
Depreciation/amortisation and impairment losses	322.8	285.2	37.5	13.2%
Net write-downs (write-backs) of trade receivables	43.9	42.9	0.9	2.2%
Provisions and releases for risks and charges	3.7	6.0	(2.3)	(37.9%)
Amortisation, depreciation, impairment and provisions	370.4	334.2	36.2	10.8%

The increase in amortisation, depreciation and impairment (+ € 37.5 million) is mainly linked to investments during the period and the entry into operation of assets previously in progress, particularly with reference to companies in the water segment (+ € 15.4 million), as well as greater amortisation/depreciation registered by *areti* (+ € 4.9 million), *Acea Energia* (+ € 3.6 million) deriving from greater investments in software applications and contract cost amortisation, as well as greater amortisation/depreciation recorded by *Acea Ambiente* (+ € 3.8 million) also deriving from the effects of the acquisition of the *Polo Cirsu* business unit in June 2022, for which effects on amortisation/depreciation only began in November 2022. For this item, the change in the consolidation scope accounts for a total of € 4.6 million.

Impairment of receivables is slightly higher than in the same period the previous year (+€ 0.9 million), maintaining essentially the same impact in terms of total Group revenue (1.9% in June 2023 vs. 1.8% in June 2022). This result, in the absence of any particular issues in amounts collected during the year in progress, is attributable to business growth and the confirmation of the stress scenario introduced in 2022 for the main Group companies, in order to anticipate potential impairment of customer creditworthiness that may not be identified through current performance but derives from satellite models based on macroeconomic and business information.

Provisions made and released for risks and charges are down with respect to the same period the previous year (- € 2.3 million) for the most part explained by the release of the ACEA Ato5 provision for legal risks for € 1.2 million following the judgement of the Civil Court of Frosinone issued on 31 May 2023 which declared the debt due to AATO5 from ACEA Ato5 for the period 2007/2011 to be extinguished on the basis of payments made. Consequently, the provision of € 1.2 was eliminated, previously allocated for prudential purposes relative to the case in question, following the expert advice ordered by the judge (for more information please see the relevant portion in the Water section).

The result of financial operations shows net expense of € 67.4 million, up with respect to the same period in 2022 by € 23.7 million, due to **i)** greater interest on bonds mainly due to the parent company's new € 700 million issue (+ € 12.0 million); **ii)** greater interest on medium/long-term loans (+ € 8.9 million), of which € 6.7 million again relative to the parent company; **iii)** greater interest on short-term amounts due to banks (+ € 3.5 million, mainly attributable to Gori; **iv)** greater expense for commissions on the sale of receivables (+ € 5.1 million); **v)** greater expense for interest on arrears (+ € 5.2 million) of which € 4.4 million attributable to *Acea Energia*. The increase in financial expenses is partially offset by the increase in interest income on short-term receivables (+€ 7.6 million), € 6.4 million of which relates to interest income on the parent company's short-term deposits, with greater interest income from customers for € 2.5 million (of which Gori € 1.2 million). This increase is for the most part due to the increase in market rates and in other financial income (+ € 1.9 million), mainly linked to the superbonus obtained for *Acea Innovation* energy efficiency projects.

The average overall all-in cost of the ACEA Group's debt stood at 2.02% compared to 1.40% in the same period in the previous year.

Income and expense from equity investments show net income of € 0.7 million, down by € 18.4 million with respect to the same period the previous year. This reduction is due to the recognition in 2022 of the capital gain effects from the sale of a group of photovoltaic plants as part of the agreement signed with the British investment fund *Equitix*. These effects were a consequence of the deconsolidation of discontinued operations at 31 December 2021 and in the first half of 2022 included the provisional measurement of the assets and liabilities related to the second closing, classified under IFRS5, which generated a net capital gain of € 18.8 million.

The estimated tax burden is € 71.2 million against € 125.7 million in the same period the previous year; the overall decrease is in part due to lower before-tax profit. The tax rate at 30 June 2023 hence comes to 30.5% and was 38.8% at 30 June 2022; the tax rate for the previous period included the recognition of € 28.5 million in the extraordinary solidarity contribution pursuant to article 37 of Decree Law 21/2022 (extra profit contribution). The normalised tax rate was 30.0%.

Net profit pertaining to the Group is € 142.5 million, a decrease of € 40.6 million with respect to the same period the previous year, as a result of the one-off events in 2022 previously cited.

Summary of results: trends in financial position and cash flows

Financial position data (€ million)	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Non-current Assets and Liabilities	8,046.1	7,846.9	199.1	2.5%	7,300.0	746.0	10.2%
Net working capital	(518.6)	(652.0)	133.4	(20.5%)	(533.6)	14.9	(2.8%)
Net Invested Capital	7,527.4	7,194.9	332.5	4.6%	6,766.4	761.0	11.2%
Net Financial Debt	(4,798.3)	(4,439.7)	(358.6)	8.1%	(4,212.1)	(586.2)	13.9%
Total Shareholders' Equity	(2,729.1)	(2,755.2)	26.1	(0.9%)	(2,554.4)	(174.7)	6.8%

Non-current Assets and Liabilities

With respect to 31 December 2022 non-current assets and liabilities increased by € 199.1 million (+ 2.5%); this change is due to opposing effects as follows: **i)** an increase in fixed assets (+ € 258.1 million) as a consequence of investments and acquisitions during the period net of amortisation/depreciation; **ii)** an increase in the item equity investments in non-consolidated subsidiaries and associated companies (+ € 10.8 million), mainly due to the results for the period and the change in the scope; **iii)** an increase in other non-current assets (+ € 55.7 million), mainly due to the net effect of the increase in long-term receivable for regulatory accounting and tariff adjustments (+ € 33.0 million) and deferred tax assets (+ € 29.6 million), mainly recognised by the parent company in relation to the loss recorded for the period; **iv)** an increase in the provision for risks and charges, mainly due to allocations to the provision for interim taxes for € 91.2 million; **v)** a decrease in other non-current liabilities (- € 41.8 million), deriving from lower contributions to capital grants and lower advances from users.

€ million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Tangible/intangible fixed assets	7,641.1	7,383.0	258.1	3.5%	6,905.1	736.0	10.7%
Equity investments	362.7	351.9	10.8	3.1%	360.9	1.9	0.5%
Other non-current assets	900.2	844.6	55.7	6.6%	851.0	49.2	5.8%
Employee severance indemnity and other defined-benefit plans	(110.3)	(113.0)	2.7	(2.4%)	(111.0)	0.7	(0.7%)
Provisions for risks and charges	(304.4)	(218.0)	(86.4)	39.6%	(293.4)	(11.0)	3.7%
Other non-current liabilities	(443.4)	(401.5)	(41.8)	10.4%	(412.5)	(30.9)	7.5%
Non-current Assets and Liabilities	8,046.1	7,846.9	199.1	2.5%	7,300.0	746.0	10.2%

The change in intangible fixed assets was mainly due to investments, which reached € 547.7 million, counterbalanced by depreciation, amortisation and impairment, totalling € 322.8 million.

The investments made by each Industrial Area are shown below.

Investments (€ million)	30/06/2023	30/06/2022	Change	% Change
Environment	18.3	18.5	(0.2)	(0.9%)
Commercial and Trading	23.7	20.6	3.1	15.1%
Overseas	1.7	1.6	0.1	3.8%
Water	337.5	259.7	77.8	29.9%
Energy Infrastructure	128.8	135.9	(7.1)	(5.2%)
Generation	25.3	19.5	5.8	29.7%
Engineering and services	2.3	1.8	0.5	25.4%
Corporate	10.3	12.7	(2.4)	(19.0%)
Total Investments	547.7	470.2	77.5	16.5%

The Environment Segment carried out investments for € 18.3 million, which with respect to the same period the previous year, decreased by € 0.2 million. The investments of the segment refer mainly to Acea Ambiente (€ 9.8 million) and regard plant improvements carried out at the plants in San Vittore, Monterotondo Marittimo and in the WTE plant in Terni. Investments made by A.S. Recycling contributed to this increase (€ 3.7 million), to construct the SRF selection plant in Borgorose, as did those by Cavallari (€ 1.0 million).

The Commercial and Trading Segment recorded investments totalling € 23.7 million, up with respect to 30 June 2022 by € 3.1 million. Investments, mostly attributable to Acea Energia (€ 21.0 million), mainly related to the cost of acquiring new customers in accordance with IFRS15 (€ 15.2 million). Acea Innovation's smart services and e-mobility projects also contributed € 1.7 million to the segment's investments.

The Foreign Segment recorded investments for € 1.7 million, in line with respect to the same period the previous year (+ € 0.1 million), mainly relative to Aguas de San Pedro.

The Water Segment made total investments of € 337.5 million, with an increase with respect to the same period the previous year of € 77.8 million. In particular, higher investments were made by ACEA Ato2 (+€ 36.8 million), ACEA Ato5 (+€ 7.6 million), Gori (+€ 22.4 million) and Acquedotto del Fiora (+€ 7.6 million). They refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders). The change in scope involving consolidation of ASM Terni accounted for € 1.8 million of the increase. With reference to ACEA Ato2, these investments are in line with the growth planned for in the action plan approved by the relevant entity in November 2022.

The Energy Infrastructure Segment contributed € 128.8 million to total investments, a decrease of € 7.1 million with respect to the same period the previous year due to lower technical quality projects for assets. The investments refer mainly to Areti and are attributable to the expansion and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment as part of the grid “Adequacy and Safety” and “Innovation and Digitalisation” projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems. The public lighting sector contributed € 0.6 million.

The Generation Segment made investments of € 25.3 million, down with respect to 30 June 2022 by € 5.8 million, due to higher investments made by Acea Solar (+ € 6.7 million) for photovoltaic development projects, this increase was offset in the photovoltaic area by SF Island (- € 0.7 million). Acea Produzione investments came to € 3.3 million, in line with the same period the previous year, and mainly involve work to maintain and upgrade hydroelectric plants (€ 1.2 million), expand and repair the district heating network (€ 1.0 million) and work on the Tor di Valle plant (€ 0.2 million). The remaining amount comes from investments in technological infrastructure and photovoltaics.

The Engineering and Services Sector recorded investments of € 2.3 million, mainly attributable to Acea Elabori (€ 1.6 million) and SIMAM (€ 0.5 million).

The Corporate Segment made investments of € 10.3 million (€ 12.7 million at 30 June 2022), mainly for software licenses, IT development and hardware, as well as investments in corporate offices.

Equity investments increased by € 10.8 million with respect to 31 December 2022. The change is due to the increase related to the valuation for the period of companies consolidated using the equity method (+ € 12.8 million), the change in the scope of consolidation (+€ 2.7 million) and in OCI (- € 1.6 million).

The stock of **employee severance indemnities and defined benefit plans** saw a decrease of € 2.7 million, mainly due to the decrease in the rate utilised (from 3.95% at 31 December 2022 to 3.74% at 30 June 2023).

Provisions for risks and charges increased by € 86.4 million with respect to the end of the previous year, mainly due to allocations for taxes during the period for € 91.2 million. Uses in the period amounted to € 2.2 million. Details are shown below by nature of the provisions:

€ million	31/12/2022	Uses	Provisions	Release for Excess Provisions	Reclassification s/Other changes	30/06/2023
Legal	14.6	(1.5)	0.5	(1.5)	(0.3)	11.8
Taxes	5.7	0.0	0.1	0.0	0.0	5.9
Regulatory risks	31.6	(0.5)	1.6	(0.5)	0.0	32.1
Investees	8.2	(2.1)	0.5	0.0	2.1	8.7
Contributory risks	1.5	0.0	0.0	0.0	0.0	1.5
Insurance deductibles	10.9	(1.4)	1.0	0.0	0.0	10.4
Other risks and charges	28.0	(1.8)	2.9	(1.1)	(1.9)	26.2
Total Provision for Risks	100.4	(7.4)	6.6	(3.1)	(0.1)	96.5
Early retirements and redundancies	28.0	(1.2)	0.0	0.0	0.0	26.8
Post mortem	68.3	(0.2)	0.0	0.0	3.4	71.5
Provision for Expenses payable to others	21.3	(0.8)	0.2	0.0	(2.4)	18.3
Provisions for Interim Taxes	0.0	0.0	91.2	0.0	0.0	91.2
Total Provisions for Expenses	117.6	(2.2)	91.4	0.0	1.1	207.8
Total Provisions for Risks and Charges	218.0	(9.6)	98.0	(3.1)	1.0	304.4

Net working capital

The change in net working capital with respect to 31 December 2022 derives from the combined effects of the decrease in current receivables for € 48.3 million, the increase in other current assets (+ € 52.6 million), the decrease in current payables for € 163.4 million, the increase in other current liabilities for € 53.6 million and greater inventories in the period (+ € 19.3 million).

€ million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Current receivables	1,219.1	1,267.4	(48.3)	(3.8%)	1,143.3	75.8	6.6%
- of which end users/customers	1,152.8	1,216.1	(63.4)	(5.2%)	1,070.6	82.2	7.7%
- of which Roma Capitale	47.1	37.7	9.5	25.1%	61.2	(14.1)	(23.0%)
- of which from Subsidiaries and Associates	19.3	13.7	5.6	41.0%	11.5	7.8	67.8%
Inventories	123.8	104.5	19.3	18.5%	97.7	26.1	26.7%
Other Current Assets	537.7	485.1	52.6	10.8%	491.1	46.6	9.5%
Current payables	(1,686.6)	(1,850.0)	163.4	(8.8%)	(1,668.9)	(17.7)	1.1%
- of which Suppliers	(1,654.8)	(1,802.6)	147.8	(8.2%)	(1,591.7)	(63.1)	4.0%
- of which Roma Capitale	(25.0)	(40.3)	15.3	(37.9%)	(71.3)	46.2	(64.9%)
- of which from Subsidiaries and Associates	(6.8)	(7.1)	0.3	(4.7%)	(6.0)	(0.8)	13.5%
Other current liabilities	(712.7)	(659.1)	(53.6)	8.1%	(596.8)	(115.9)	19.4%
Net working capital	(518.6)	(652.0)	133.4	(20.5%)	(533.6)	14.9	(2.8%)

Receivables from users and customers, net of provisions for impairment of receivables, amount to € 1,152.8 million and show a decrease with respect to 31 December 2022 of € 63.3 million. Note: **i)** an increase in receivables in the **Water segment** of € 86.5 million, mainly attributable to Acea Ato2 (+ € 46.9 million), ASM Terni (+ € 11.2 million), SII (+ € 8.3 million), Acea Ato5 (+ € 7.4 million), Gori (+ € 4.9 million and Acquedotto del Fiora (+ € 4.8 million); **ii)** an increase in receivables in the **Energy Infrastructure** segment of € 21.5 million, relative to areti; **iii)** an increase in receivables in the **Environment** Segment of € 8.5 million, mainly relative to Deco (+ € 5.5 million), Cavallari (+ € 1.5 million) and Aquaser (+ € 0.8 million); **iv)** a reduction in receivables in the **Commercial and Trading** Segment of € 178.0 million, mainly attributable to Acea Energia (- € 170.1 million) and Umbria Energy (- € 11.2 million), partially offset by the increase recorded by Acea Innovation (+ € 4.4 million).

The provision for doubtful receivables amounts to € 653.2 million, up with respect to 31 December 2022 (when it was € 615.5 million). During the first half of 2023 receivables totalling € 616.8 million were transferred without recourse, of which € 115.0 million from the Public Administration.

As regards relations with Roma Capital, the net balance at 30 June 2023 was € 4.3 million receivable for the Group (the receivable balance at 31 December 2022 was € 1.7 million).

Trade and financial receivables recorded an overall increase of € 35.9 million compared to the previous year, mainly due to accrual in the period, partially offset by collections. The main changes in the period are as follows:

- higher receivables for ACEA Ato2 for the supply of water for € 26.8 million;
- higher receivables referable to the Public Lighting service for € 26.4 million;
- collection/offset of ACEA Ato2 receivables for water supply for € 18.1 million.

With reference to payables decreased by € 33.3 million compared to the previous year. The main changes during the period are as follows:

- higher payables due to the recognition of 50% of the share dividends for 2022 for € 46.2 million. At the end of June 2023, alongside coupon detachment, Acea paid the other 50% of the dividends due for the year 2022 (€ 46.2 million);
- higher payables due to the recognition of the ACEA Ato2 concession fee for the first half of 2023 for € 13.2 million;
- payment of ACEA Ato2 concession fees for 2021 and 2022 for a total of € 26.6 million;
- higher payables of ACEA Ato2 due to the recognition of share dividends for 2022 for € 2.4 million;
- areti paid various municipalities the amounts due for road excavation permits for a total of € 2.2 million referring to the previous year.

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 S.p.A. - Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea and areti in relation to the Public Lighting service as of 31 December 2021.

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

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

Receivables due from Roma Capitale	30/06/2023	31/12/2022	Change
	A)		A) - B)
Utility receivables	41.8	32.9	8.8
Provisions for impairment	(1.7)	(1.7)	0.0
Total receivables from users	40.0	31.2	8.8
Receivables for water works and services	3.8	3.8	0.0
Receivables for water works and services to be invoiced	0.7	0.6	0.1
Provisions for impairment	(2.2)	(2.2)	0.0
Receivables for electrical works and services	4.7	4.4	0.3
Receivables works and services - to be billed	0.4	0.2	0.2
Provisions for impairment	(0.3)	(0.3)	0.0
Total receivables for works	7.1	6.5	0.6
Total trade receivables	47.1	37.7	9.5
Financial receivables for Public Lighting services billed	148.1	135.1	12.9
Provisions for impairment	(58.0)	(58.0)	(0.0)
Financial receivables for Public Lighting services to be billed	55.0	36.3	18.7
Provisions for impairment	(9.0)	(5.4)	(3.6)
M/L term financial receivables for Public Lighting services	3.2	4.8	(1.6)
Total Public Lighting receivables	139.2	112.8	26.4
Total Receivables	186.3	150.5	35.9
Payables due to Roma Capitale	30/06/2023	31/12/2022	Change
Electricity surtax payable	(5.5)	(5.5)	(0.0)
Concession fees payable	(14.2)	(27.6)	13.4
Other payables	(7.9)	(9.8)	1.9
Dividend payables	(154.5)	(105.9)	(48.5)
Total payables	(182.0)	(148.8)	(33.3)
Net balance receivables payables	4.3	1.7	2.6

Current payables fell due to the decrease in the stock of trade payables (+€ 147.8 million). This effect is partly influenced by the decrease recorded by Acea Energia (- € 110.6 million), areti (- € 36.1 million) and ACEA (- € 29.6 million), partially offset by the increase recorded by ACEA Ato2 (+ € 18.8 million) and Umbria Energy (+ € 9.6 million).

Other Current Assets and Liabilities saw an increase in assets of € 52.6 million and an increase in liabilities of € 53.6 million, compared to the previous year. More specifically, **other assets** increased due to the opposing effects of: **(i)** the increase in IRES receivables (+ € 36.0 million) and other tax receivables (+ € 41.8 million), mainly relative to Acea Energia and Acea Innovation in relation to amounts accruing for energy efficiency projects; **(ii)** the increase in prepaid expenses of € 15.4 million; **(iii)** the decrease in VAT receivables (- € 21.0 million) mainly associated with the parent company; **(iv)** lower receivables from AATO (- € 6,740 thousand) relative to SII due to invoicing of adjustment items; **(v)** the decrease in the value of commodities derivatives receivable for commodities (- € 12.5 million). More specifically, **current liabilities** increased due to higher payables due to the Equalisation Fund (Cassa Conguaglio) attributable to areti (+ € 67.4 million) due to a change in the regulatory framework for the Social Bonus and the reintroduction of general system charges in the second quarter of 2023, and to Acea Energia (+ € 21.1 million) as an effect of covering imbalances in the equalisation system for electricity purchasing and dispatching costs destined for the greater protection service, the increase in accrued expenses (+ € 17.5 million) attributable to ASM Terni in relation to the TARIC portion for April-December 2023, partially offset by payment of the debt associated with the acquisition of 35% of Deco for € 33.5 million and the debt for acquisition of 30% of SIMAM for € 13.0 million, as well as the reduction in the payable for the extraordinary solidarity contribution pursuant to article 37 of Decree Law 21/2022 with reference to Acea Produzione (- € 18.4 million).

Shareholders' equity

The shareholders' equity amounted to € 2,729.1 million. The changes seen, totalling € 26.1 million, are analytically presented in the relevant table and essentially derive from profits accruing during the first six months of 2023, distribution of dividends and the change in cash flow hedge reserves, as well as those formed by actuarial gains and losses.

Net financial debt

Group **debt** recorded an overall increase of € 358.6 million, going from € 4,439.7 million at the end of 2022 to € 4,798.3 million at 30 June 2023.

€ million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
A) Cash	277.7	559.9	(282.2)	(50.4%)	625.6	(347.9)	(55.6%)
B) Cash equivalents	0.0	0.0	0.0	n.s.	0.0	0.0	n.s.
C) Other current financial assets	729.6	342.1	387.5	113.3%	526.2	203.4	38.7%
D) Liquidity (A + B + C)	1,007.3	902.0	105.3	11.7%	1,151.8	(144.5)	(12.5%)
E) Current financial debt	(240.9)	(165.4)	(75.5)	45.6%	(256.3)	15.3	(6.0%)
F) Current portion of non-current financial debt	(165.0)	(454.0)	289.0	(63.7%)	(422.9)	257.9	(61.0%)
G) Current financial debt (E + F)	(405.9)	(619.4)	213.5	(34.5%)	(679.1)	273.2	(40.2%)
H) Net current financial debt (G + D)	601.4	282.6	318.8	112.8%	472.7	128.8	27.2%
I) Non-current financial debt	(5,399.7)	(4,722.3)	(677.4)	14.3%	(4,684.7)	(715.0)	15.3%
J) Debt instruments	0.0	0.0	0.0	n.s.	0.0	0.0	n.s.
K) Trade payables and other non-current payables	0.0	0.0	0.0	n.s.	0.0	0.0	n.s.
L) Non-current financial debt (I + J + K)	(5,399.7)	(4,722.3)	(677.4)	14.3%	(4,684.7)	(715.0)	15.3%
Total net financial debt (H + L)	(4,798.3)	(4,439.7)	(358.6)	8.1%	(4,212.1)	(586.2)	13.9%

Non-current financial debt increased by € 677.4 million compared with the end of the 2022 financial year. This change derives from an increase in bond loans of € 699.9 million offset in part by a decrease in payables for medium/long-term loans of € 41.5 million, as shown in the following table:

€ million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Bonds	4,534.3	3,834.5	699.9	18.3%	3,837.8	696.6	18.2%
Medium/long-term borrowings	773.0	814.4	(41.5)	(5.1%)	809.0	(36.0)	(4.5%)
IFRS 16 financial payables	92.4	73.4	19.0	25.9%	37.9	54.5	143.6%
Non-current financial debt	5,399.7	4,722.3	677.4	39.1%	4,684.7	715.0	157.3%

Bonds amounting to € 4,534.3 million as at 30 June 2023 increased by a total of € 699.9 million due to the placement on 17 January 2023, under the € 5 billion Euro Medium Term Notes (EMTN) programme, of a Green Bond, for an initial amount of € 500 million, increased on 3 February 2023 by a further € 200 million with the TAP issue (3.875%, maturing on 24 January 2031).

Medium/long-term loans amounting to € 773.0 million recorded an overall decrease of € 41.5 million mainly due to the parent company (- € 15.6 million) and areti (- € 13.7 million). The following table shows medium/long-term and short-term borrowings (excluding the portion due to application of IFRS 16) by term to maturity and type of interest rate.

€ million	Total Residual Debt	By 30/06/2024	From 30/06/2024 to 30/06/2028	After 30/06/2028
fixed rate	276.8	32.5	140.2	104.1
floating rate	434.6	86.4	173.1	175.2
floating rate cash flow hedge	199.1	18.7	131.7	48.6
Total	910.5	137.6	445.1	327.9

The **fair value** of hedging derivatives, totalling € 13.0 million, is mainly comprised of those held by Gori, positive at € 6.2 million (positive at € 6.6 million at 31 December 2022), those held by Acquedotto del Fiora, positive at € 5.2 million (as at 31 December 2022, positive at € 5.5 million), and those of SII, positive at € 1.5 million (as at 31 December 2022, positive at € 1.6 million). Positive fair values are found under "Non-current financial assets" and are not considered in the balance of correlated loans.

The short-term component was a positive € 601.4 million and, compared to the end of 2022, shows an improvement of € 318.8 million, generated for € 343.4 million by the parent company, offset by Acea Produzione for € 8.9 million, by Gori for € 8.7 million and by Acquedotto del Fiora for € 5.7 million. The change in the parent company is mainly generated by higher short-term deposits of € 360.0

million, a decrease in cash and cash equivalents of € 278.7 million, current account overdrafts for € 20.5 million and a reduction in short-term financial payables due to the repayment of the matured bond for the amount of € 300.0 million.

Note that net financial debt includes € 154.4 million in payables to Roma Capitale for dividends resolved to be distributed and does not include other payables of around € 10.6 million relating to share purchase options of the companies already held.

It is necessary to point out that the Group's sales companies are those most impacted by the macroeconomic scenario resulting from the Russia-Ukraine conflict. It should be noted that, in the first half of 2023, the reduction in prices in the energy market produced a substantial recovery in the absorption of working capital that had characterised the second half of 2022, consequently generating a net improvement in the Group's financial debt.

At 30 June 2023, the Parent Company had unused committed credit lines of € 700.0 million and uncommitted lines of € 425.0 million, of which € 21.0 million used. No guarantees were granted in obtaining these lines.

It must be noted that the long-term Ratings assigned to ACEA by the International Ratings Agencies were:

- 🕒 Fitch BBB+;
- 🕒 Moody's Baa2.

Reference context

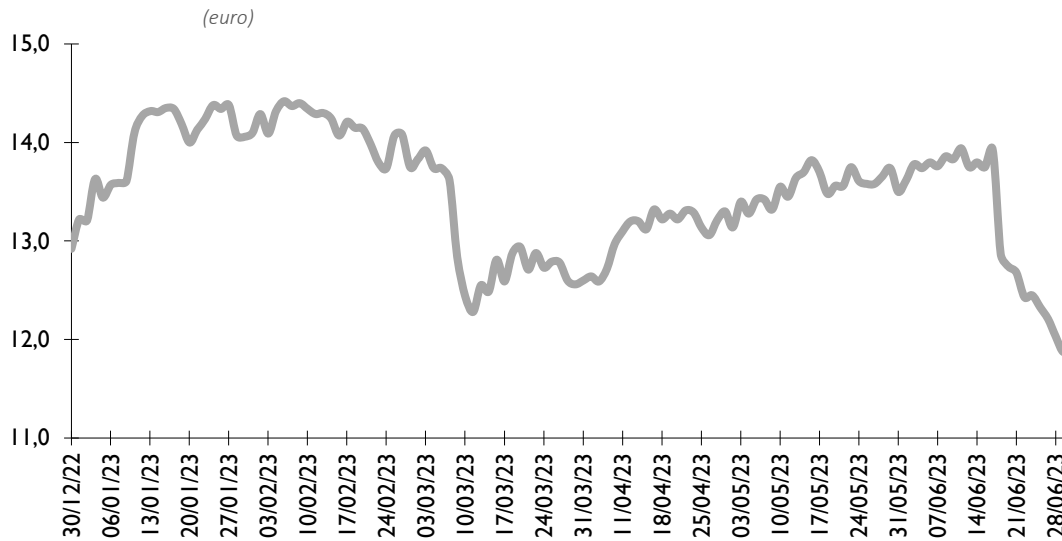
Performance of the equity markets and the ACEA stock

In the first half of 2023, global equity markets performed well overall. The Milan Stock Market performed the best of the major European markets, with the FTSE MIB growing by around 19%.

During the period subject to analysis, the attention of institutional investors continued to be focussed on the prospects for the global economy and monetary policy decisions.

ACEA stock closed at € 11.98 on 30 June 2023 (capitalisation: € 2,551.3 million), down by -7.3% from the beginning of the year. The maximum value of € 14.42 was reached on 7 February, while the minimum value of € 11.87 was reached on 29 June.

During the period under analysis, daily average volumes exceeded 125,000.



(Source: Bloomberg)

The following normalised graph shows the performance of the ACEA stock, compared to Stock Market indices.



(graph normalised to Acea values - Source: Bloomberg)

	Change% at 30/06/2023 (compared to 31/12/22)
Acea	-7.3%
FTSE Italia All Share	+17.8%
FTSE MIB	+19.1%
FTSE Italia Mid Cap	+8.5%
MIB ESG	+17.7%

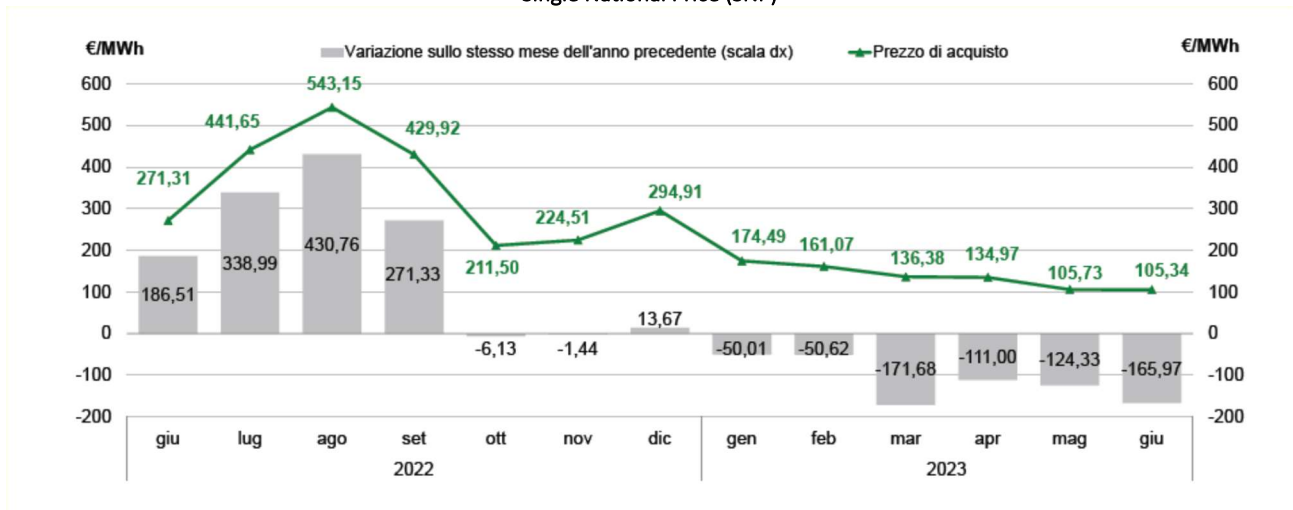
Energy market

Relative to the domestic electricity market, electricity demand in the first six months of 2023 totalled 150,626 GWh, (source: Terna), down by 4.6% with respect to the same period the previous year. Reduced consumption, already seen in the first three months of the year due to mild temperatures and economic slowdowns caused by high energy bill prices, worsened during the second quarter, with lower industrial production expanding to cover all the main segments, in addition to the effects of a cooler spring (-1.5°C compared to the second quarter of 2022) which delayed use of air conditioning.

Energy production, less self-consumption and consumption by pumping (14,451 GWh, +11.8%), was at 110,079 GWh, down by 11% compared to the first half of 2022, covering 73% of the requirement, while the net amount saw a significant improvement, totalling 26,096 GWh (+21.9%), contributing 17.3% to meeting demand and replacing a portion of the thermoelectric source (67,364 GWh, -18.8%). Moving on to renewables, despite 3 GW of photovoltaic capacity installed with respect to a year ago (with photovoltaic self-consumption trends up year on year), solar production recorded a figure on slightly higher than that from the first six months of 2022 (12,086 GWh, +1.5%) up by +0.8% for the second quarter, in part due to a cloudy and rainy spring, which led to a +26.1% increase in production from the water source between April and June (for the first six months: 16,626 GWh, +14.9%). Both wind (11,349 GWh, -1.8%) and geothermal (2,654 GWh, -3%) ended the half with a lower figure compared to the previous year.

The Single National Price (SNP) for the first half of 2023 saw an average value of € 136.1/MWh, down 45% with respect to the first six months of 2022. Examining only the second quarter shows an average value of € 115.24/GWh (-54% with respect to the second quarter of 2022) and a daily minimum of € 61/MWh at the beginning of June (a figure not seen since May 2021). Nonetheless, it should be noted that in mid-June SNP prices (as well as forward prices) saw a fairly abrupt inversion of this trend, with daily increases up to € 130/MWh, due to tensions on the gas market as the summer load ramped up.

Single National Price (SNP)



With regards to natural gas, domestic demand in the first half of 2023 came to 31,440 Msmc (source: Snam Rete Gas), down significantly by 16.7% with respect to the first six months of 2022. The generalised distribution of the same in all segments continued as seen in the first quarter, due to the combined effects of mild temperatures and virtuous actions to reduce consumption, as well as the economic crisis driven by high prices and still high inflation. Distribution, including residential and SME, ended the half down by 14.8% with respect to the previous year (15,691 Msmc), while the industrial segment saw a reduction of 11.1% (5,865 Msmc), continuing to drop with respect to the first half of 2022, when the negative trend began. The thermoelectric segment continued the downward trend started at the beginning of the year (9,885 Msmc, -22.3%), due to the decrease in electricity demand and a return to abundant water production which partially replaced gas-based electricity production.

Tariffs for transport services

2023 was the eighth year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods.

The regulations are included in three Integrated Texts: "Integrated Text of provisions of the Authority for providing electricity transmission and distribution services (TIT)", Annex A to Resolution 568/2019/R/eel, the "Integrated Text of provisions of the Authority for providing the electricity metering service (TIME)"; Annex B to Resolution 568/2019/R/eel, and the "Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)", Annex C to Resolution 568/2019/R/eel, published on 27 December 2019.

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the constraint on revenue permitted to each company (the reference tariff). The compulsory tariffs for the year 2023 were published with Resolution 720/2022/R/eel for the distribution and metering services for non-domestic

customers, with Resolution 719/2022/R/eel for the provision of the transmission service, with Resolution 721/2022/R/eel for provision of the domestic customers network services.

On 16 May 2023, with Resolution 206/2023/R/eel, provisional reference tariffs were published for 2023 for electricity distribution and metering services for distribution companies serving at least 25,000 withdrawal points.

Also note that with Resolution 154/2023/R/eel, published on 11 April 2023, the definitive reference tariffs for 2022 were published.

The regulations in force in the previous regulatory sub-period include:

- regulatory lag and return on invested capital;
- extension of regulatory useful life;
- tariff adjustment criteria: distribution, sale, measurement.

With regard to the first point, ARERA confirmed the method for offsetting the regulatory lag, recognising new investments made for both Distribution and measurement (without backdating).

The criterion based on the increase in the remuneration rate of invested capital recognised for new investments, of 1% (of the year t-2) was replaced by the introduction of recognition in the capital base (so-called RAB) also of investments made in the year t-1, measured on the basis of pre-final data communicated to ARERA. This data will be used to determine the provisional tariffs of reference and will then be replaced by the final data to determine the definitive tariffs of reference published in the initial months of the following year. In the year t, the ARERA only recognises the remuneration of the invested capital concerning the assets which entered use in the year t-1, without recognising the relevant depreciation rates (which are still recognised in the year t-2).

In the new sub-period, ARERA confirmed the previously established regulatory useful life.

On 23 December 2021, ARERA published Resolution 614/2021/R/com of 23 December 2021, with which it set the criteria for determining the WACC for the 2022 – 2027 period and established the 2022 rate of return on invested capital for the electricity distribution and metering service at 5.2%, also confirmed for year 2023 with resolution 654/2022/R/com.

In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the ARERA on the basis of actual company costs and on the basis of scale variables.

These costs, when calculating the company-based tariff, according to the definitions of Resolution no. 568/2019, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets.

Updating of the distribution reference tariff after the first year is individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

- the portion of the tariff covering operating costs will be updated using the price cap mechanism (with a productivity recovery target of 1.3%);
- the part covering the costs concerning the remuneration of the invested capital will be updated through the deflator of the fixed gross investments, the change in the volume of service provided, the gross investments that are operational and differentiated by level of voltage, effects of dismissals and disposals;
- the part covering the depreciation will be updated through the deflator of the fixed gross investments, the change in volume of service provided, the rate of change connected to the reduction in the gross invested capital due to disposal, withdrawal and end of useful lifetime and the rate of change connected to the investments that are now operational.

As regards marketing, ARERA confirmed a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities (single all-inclusive company tariff for the distribution and marketing service).

With regard to the transmission tariff, the ARERA confirmed the introduction of a binomial tariff (capacity and consumption) for high voltage customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalisation mechanism has been confirmed.

The general equalisation mechanisms for distribution and metering costs and revenue for the regulatory cycle in force are:

- equalisation of the revenues from the distribution service;
- equalisation of the revenues from the low-voltage metering service;
- equalisation of the transmission costs;
- equalisation of the value of the difference between effective losses and standard losses.

The purpose of equalising the revenues of the distribution service is to equalise the revenues deriving from the comparison between the revenues billed to users through the compulsory tariff and the distributor's allowed revenues, calculated through the company's tariff of reference.

With Resolution 568/2019, ARERA established that the equalisation of the revenues from distribution would be reduced by an amount equal to 50% of the net revenues from the use of the electrical infrastructure for purposes additional to the electric service, recorded at the end of year n-2 should the aforementioned net revenue exceed 0.5% of total recognised revenue.

The equalisation of the transmission costs has the objective of passing the distributor in terms of the cost recognised to Terna for the transmission service (CTR) with what was paid by the end customer based on the compulsory transmission tariff (TRAS).

With circular 21/2023/ETL of 18 May 2023, CSEA invited distributors utilising the individual cost recognition regime to indicate whether or not they wish to make use of the advances mechanism for 2023. Areti communicated that it would adhere to this, in a certified email (PEC) sent on 19 May 2023.

With Resolution 449/2020/R/eel of 10 November 2020, the algorithm for calculating the ΔL equalisation relating to the value of the difference between the effective losses and the standard losses starting from the year 2019 was modified; the percentage factor applied for equalisation purposes for commercial losses of electricity on the networks with obligation to connect third parties for the

“centre” zone and for the LV voltage level was modified, going from 2% to 1.83%. Table 4 of the TIS was also amended by the same Resolution with effect from 1 January 2021.

On 21 December 2021, ARERA published DCO 602/2021/R/eel in which it proposed, for the 2022-2023 two-year period, the revision of the conventional percentage factors for commercial losses to be applied to distribution companies for equalisation purposes and the revision of the conventional percentage loss factors to be applied for settlement of the dispatching service to end customers as from 1 January 2023. Distribution companies submitted their comments by 31 January 2022.

This consultation procedure concluded with the publication of Resolution 117/2022/R/eel of 22 March 2022, with which the Authority set the conventional percentage factors related to commercial losses to be applied to electricity for equalisation purposes equal to 1.77% in the Centre zone for 2022, and 1.72% in the Centre zone for 2023. It also introduced a cap on the PAU price to be applied, equal to the arithmetic average of the average annual PAUs in 2016 – 2021.

With a specific application to be presented by the end of May 2022, the resolution provides for recognition of network losses attributable to non-recoverable fraudulent withdrawals that manifest with exceptional amounts compared to the levels recognised conventionally. The recognition is provided for exclusively in the case of a negative net equalisation balance on the three years 2019-2021 and will have a value at the most equal to what is necessary to reduce this balance to zero. In addition, with an application to be presented by May 2024, the same recognition is envisaged related to the 2022-2023 two-year period. The application related to the recognition of losses in the 2019-2021 three-year period was submitted by Areti via certified email on 31 May 2022.

On 7 February 2023, ARERA published Resolution 42/2023/R/eel, beginning the procedure to verify the existence of the right to recognition of non-recoverable fraudulent withdrawals claimed by Areti, the amount of fraudulent withdrawals to recognise and the corresponding economic value. Following this resolution, in a certified email the Authority communicated the following investigations relative to the procedure: - the issue involved in the request is accepted (thereby identifying a liability with respect to the company) and is equal to around € 1 million; - the non-recoverable fraudulent withdrawals are recognised solely for cases of “occupied buildings” (138 GWh), and not recognised for cases of “routes at risk” (36 GWh) and “unknown” (7 GWh). In the context of future sessions to update balancing amounts, CSEA will recognise the stated amount for areti and the relative annual updates to which the balancing amounts for 2019-2021 are subject.

Note that with Resolution 181/2023/R/eel of 4 May 2023, the Authority completed the procedure begun with resolution 42/2023/R/eel, authorising CSEA to recognise this amount for areti and the relative annual updates to which the balancing amounts for 2019-2021 are subject, in the context of future sessions to update balancing amounts.

Equalisation of the purchase of electricity supplied for own use in transmission and distribution continues to be regulated in the new regulatory period.

In the new Transport Integrated Text, the ARERA has confirmed the mechanism of advance recognition on a two-monthly basis, of equalisation balances for revenue from the distribution service and transmission costs. With Determination 19/2020 of 13 November 2020, ARERA defined the operating methods of managing the general equalisation mechanisms, confirming the method of calculating the advances every two months.

Further impact on equalisation was linked to the fact-finding investigation launched with Resolution 58/2019/E/eel concerning the regulation of financial items relating to electricity destined for States included in Italian territory. The Authority, with Measure 491/2019/E/eel, ordered areti to carry out – by 31 December 2019 – the actions necessary to properly define the dispatching point of export related to the electricity destined for dispatching points of export and to obtain the measurement data of the electricity sold.

On 20 December 2019, the company stated that it had complied with the requirements.

The Authority decided that the elements acquired constituted a condition for the launch of a proceeding aimed at ascertaining any breaches on the subject of settling the economic items related to the electricity destined for the dispatching point of export.

In June 2020, areti submitted its commitments in terms of the applicable regulation, which will be reviewed in light of the results communicated by the CSEA and approved by ARERA with Resolution 262/2021/E/eel. The relevant items will in any case be settled at the end of the penalty proceedings initiated with Determination 5/2020/eel.

On 5 April 2022, with Resolution 151/2022/S/eel, ARERA approved and published the proposal of commitments submitted by areti.

The following phases will follow:

- third parties can submit their comments by 7 May 2022;
- areti can provide a response within 30 days of publication of any comments;
- final approval of the commitments with resolution, which will also specify the terms for the settlement of the financial items and the start date of the monitoring.

With resolution 355/2022/S/eel of 27 July 2022, ARERA approved the commitments proposed by areti in the context of the sanction proceedings for violations of settlement of economic items relative to electricity destined for enclave states.

Finally, with Resolution 576/2021/R/eel, ARERA provided that for interconnection with the dispatching points of export:

- from 1 January 2022, only the variable components, expressed in c€/kWh, of the tariffs covering transport costs provided for in paragraph 15.1 of the TIT will be applied (currently, the fixed and variable components are both applied);
- from 1 April 2022, the imbalance price for non-enabled units (and no longer the DAM zonal price) will apply for the purpose of regulating actual imbalances);
- from 1 January 2023, uplift shall be applied to the energy actually withdrawn (currently not applied).

In the same measure, the Authority specifies that the entire band must no longer be used to define the dispatching points of export withdrawal schedule; the dispatching user must instead use its own best estimate of withdrawals. The delta between the value of the band and the programme must be treated as a programme imbalance and valued at PUN.

ARERA has confirmed the method of recognising the capital costs for low voltage electronic meters, for firms serving more than 100,000 points of delivery, based on criteria for determining the investments effectively made by the single firms and also retaining the

measurement equalisation for the fifth regulatory cycle. The equalisation mechanism is intended to equalise the revenue from the comparison of the obligatory tariffs billed to end users and the revenue set in the reference tariff.

The tariffs hedging the measurement service are updated, as are those for the distribution service, using the price-cap mechanism for the part hedging the operating costs (with the goal of a 0.7% recovery of productivity) and with the deflator, variation in invested capital and rate of change of the volumes supplied for the part covering the invested capital and depreciation. The rate of remuneration of the measurement capital is the same as that for the distribution service.

Note that with Resolution no. 646/2016/R/eel of 10 November 2016, ARERA illustrated the methods for defining and awarding costs related to second generation (2G) smart metering systems for measuring low voltage electricity. On 8 March 2017, it published a release in which it updated the evaluation of the plan for entry into service of the 2G smart metering system prepared by e-distribuzione S.p.A. In order to present ARERA with an illustrative report on the commissioning plan of the 2G smart metering system, the company defined a project for the development of this system with the aim of replacing the current system of electronic meters. Starting in 2017, ARERA established in the same resolution that for the annual updating of the return on invested capital and depreciation concerning effective low-voltage metering points, for each distribution firm, the maximum gross investment value recognisable per meter installed is 105% of the corresponding gross investment value per meter for the investments that came into operation in 2015.

On 20 March 2019, with the consultation document 100/2019/R/eel, the Authority introduced an update for the three-year period 2020-2022 of the provisions on the determination and recognition of costs relating to second generation (2G) smart metering systems. In particular, the proposals set out in the consultation document include:

- the possibility of setting obligations on the timing of commissioning of 2G systems together with the modulation of the "conventional plan" in order to reduce the risk of a "two-speed country"; the updating and simplification of the provisions relating to admission to the shortened programme for companies that launch their plan for commissioning 2G smart metering systems in that three-year period;
- The assessment of the provisions of Decree 93/2017 of the Minister for Economic Development concerning the periodic verification of electricity meters and the extra costs that could result from them;
- the possibility of introducing provisions to quantify the penalties to be applied in the event of non-compliance with the expected levels of performance of 2G smart metering systems.

This was followed by Resolution no. 306/2019/R/eel on 16 July, which confirmed the guidelines presented in the previous consultation document. Specifically:

- the Authority set 2022 as the deadline for the start of the plans for the commissioning of 2G systems and established that the mass replacement phase for the meters must be completed by 2026 (with a target of 95% of the meters included in the plan). Furthermore, in order to avoid the "two-speed country" risk, a new method of calculating the "conventional plan" was introduced for companies that have not yet submitted their rollout plan;
- Starting from the 4th year of each PMS2, penalties are introduced for failure to meet expected performance levels, with annual and multi-annual ceilings on penalties for greater protection of service users;
- The regulatory useful life of the asset categories relating to the low-voltage electricity metering service to be applied to investments in 2G smart metering systems is 15 years;
- The remuneration and depreciation of the invested capital are determined according to a fixed rate depreciation schedule. Depreciation schedule instalments are calculated as deferred annual instalments, considering a return time horizon consistent with the regulatory useful life.

On 20 September 2019, areti sent the Authority the request for admission to the recognition of investments under the specific regime together with the plan for the commissioning of the 2G smart metering system and the other documents required by Resolution no. 306/2019/R/eel. The documentation was made available on 23 September on the areti website, and on 21 October a public session was held to present the Plan, during which the Company responded to the comments made by participants. On 20 December the Authority requested detailed information on the actual operating capital costs of Measure 1G and 2G set out in PMS2.

Resolution 213/2020/R/eel, which follows 177/2020/R/eel accompanied by CD 178/2020, provides for transitional amendments for the year 2020 to some of the directives for second generation (2G) smart metering systems for measuring low voltage electricity.

In particular, in consideration of the COVID-19 health emergency and its impacts on the replacement of meters, the Authority provided guidance to:

- waive – at least for 2020 – the upgrade criterion at the level of the Municipality or other significant territory;
- establish that the next PDFMs (Detailed plans for the mass phase), which must have a maximum quarterly frequency, can only have indicative value as long as the health emergency persists. Moreover, each PDFM must be published 15 days in advance of the beginning of the month in which mass replacements of meters are planned;
- suspend – at least for 2020 – the provisions on penalties for failure to achieve at least 95% of the progress (cumulative) envisaged by PMS2;
- suspend – for the year 2020 only – the application of the IQI (Information Quality Incentive) matrix, which defines the value of the incentives to be paid to companies for the different combinations of actual expenditures incurred and planned, since the comparison between actual costs and expected costs may be subject to factors that affect the comparison.

On 28 July 2020, with Resolution 293/2020/R/eel, the Authority approved the plan of commissioning of the 2G smart metering systems presented by areti and determined the related conventional commissioning plan and the expenses envisaged for the plan for the purposes of recognition of the costs of capital.

ARERA also considers it appropriate to offer distribution companies the option of proposing the updating of their upgrade plan during 2021 to adjust for the effects of the epidemiological emergency. It is noted that on 31 March 2021, in consideration of the ongoing health emergency and need to further investigate the relevant impact, areti announced its intention to collect additional information to assess whether it should update its PMS2 by 15 June 2021.

On 14 June 2021, areti notified ARERA that it had promptly intervened, by adapting its processes and procedures so as to absorb the operational impact that had arisen during the health emergency period, and that it had consequently not identified any effects that would require the plan to be revised. It is noted nonetheless that certain risks are present, including but not limited to the possible increase in asset costs due to raw materials becoming more expensive or the potential shortages in supplies due to the widespread slowdown in production worldwide. In this regard, note that the DSOs, through Utilitalia, are submitting to the Authority a number of requests intended to zero the bonus and penalty mechanisms for the years impacted by the scarcity of 2G meter supplies.

With Resolution 349/2021/R/eel of 3 August 2021, the Authority provided that, for the year 2021, in the case companies that had started PMS2 in previous years, the 2G meter limit below which penalties apply is 90% instead of 95% of the cumulative number of 2G meters provided for by PMS2 as at 31 December 2021. The Authority also resolved that for 2021, the criterion of implementation at municipal or other significantly relevant territorial level shall not apply.

On 23 March 2022, ARERA sent to areti, via certified email, communication of the preliminary findings related to the effective capital cost of the investments in 2G smart metering systems incurred in 2020.

On 28 June 2022, the Authority published DCO 284/2022/R/eel which outlined the guidelines relating to the introduction of transitional changes to the provisions of the 2G Directives for 2022. These transitional changes were deemed necessary following the indirect effects of the COVID-19 pandemic which led to a severe lack of semiconductors at global level and which in turn, at the start of 2022, created significant limitations on the availability of 2G meters that had already been ordered by distribution companies.

With Resolution 280/2022/R/eel of 28 June 2022, ARERA initiated proceedings to update the guidelines for the recognition of second generation (2G) smart metering system costs applicable from 2023, currently defined by Resolution 306/2019/R/eel, providing for the conclusion of such proceedings by 31 December 2022.

On 28 June 2022, the Authority published DCO 284/2022/R/eel outlining its guidelines relating to the introduction of transitional changes to the provisions of the 2G Directives for 2022. These transitional changes were deemed necessary following indirect effects of the COVID-19 pandemic which led to a severe lack of semiconductors at global level, which in turn, at the start of 2022, created significant limitations on the availability of 2G meters that had already been ordered by distribution companies. In this DCO, ARERA also discussed the possible transitional derogation of the "operational" criteria for significantly relevant areas, examined possible transitional changes involving the preparation of detailed plans for the mass stage, discussed application methods for the Information Quality Incentive (IQI) matrices, illustrated possible transitional changes to the penalty rules for lack of progress in the operational plan and examined completion schedules for the mass stage of 2G smart metering operations. The interested DSOs were asked to send their comments by 29 July 2022.

Note that on 27 July 2022, the Authority published consultation document 360/2022/R/eel, illustrating guidelines relative to the extension of provisions on the implementation of second generation low voltage electricity smart metering systems. The deadline for submission of comments was 26 September 2022.

On 22 November 2022, following the consultation period begun with DCO 284/2022/R/eel, ARERA published resolution 601/2022/R/eel in which it introduced transitional changes to certain provisions for the second generation (2G) smart metering systems for low voltage electricity. In particular, it establishes: for 2022 and the first half of 2023, non-application of the "operational" criteria in any significantly relevant area; for 2022, provisions pursuant to article 18, paragraphs 1 and 3 of Annex A to resolution 306/2019/R/EEL are suspended, relative to penalties for delays with respect to the forecasts for implementing the service and limited non-compliance with expected performance levels; the effects deriving from the planned and actual numbers of 2G metres for 2022 were sterilised. On 28 March 2023, ARERA sent the preliminary findings related to the effective capital cost of the investments in 2G smart metering systems incurred in 2021.

Finally, with resolution 724/2022/R/eel, the Authority updated the 2G Directives for 2023-2025 establishing i) that annual accounting methods for physical progress be made systematic, with time frames similar to the accounting already established for economic and performance progress, ii) that the monitoring period for 2G smart metering system performance be extended to 4 years, activating penalties only as of 1 January of the fifth year of PMS2, in light of the problems which arose relative to the COVID-19 health emergency and the significant limitations on availability of 2G components, iii) an obligation to promptly replace 1G metres with 2G metres for activation requests for collective self-consumption, and iv) a premium mechanism for accelerating PMS2 as an effect of public contributions.

The "Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)", Annex C to Resolution 568/2019/R/eel, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by end users, contract transfers, disconnections, etc.) to passive users, essentially in line with the previous regulatory period.

The regulatory changes that have taken place since 1 January 2016 allow the distributor to affirm that the right to remuneration for invested capital arises, from an accounting point of view, at the same time as investments are made and the depreciation process is initiated in compliance with the accruals concept and the principle of correlation of costs and revenues. For this purpose, the remuneration of the investments (including of the related depreciation and amortisation) was calculated and recognised in the energy margin at the same time as they were made (so-called Regulatory Accounting).

Resolution 119/2022/R/eel of 22 March 2022 established the mechanism to reimburse electricity distributors for receivables not collected and not otherwise recoverable in relation to general system charges and network charges, outlining their conditions for access, quantification criteria of the eligible receivables, criteria for their recognition, operating methods as well as time frames for submitting applications and settlement of the amounts by CSEA. Furthermore, this measure repealed resolution 50/2018/R/eel of 1 February 2018.

Furthermore, note that with Resolution 35/2022/R/eel of 31 January 2022, ARERA arranged for the cancellation of the rates for general electricity system charges for Q1 2022 for all types of users, implementing the Supports *ter* Law Decree.

Note also the publication of DCO 615/2021/R/com of 23 December 2021, in which the Authority illustrates its thinking behind the main lines of action of the ROSS-BASE solution, namely the focus on total expenditure, overcoming the current cost recognition system, which considers operating costs and investments separately, in favour of an integrated approach that gives operators responsibility. In particular, the new integrated approach focuses on the following aspects: realistic forecasts and development plans, based on the future and actual needs of service customers; incentives to improve performance levels, in terms of efficiency, cost-effectiveness and quality of service; removal of any regulatory barriers to the development of innovative solutions. ARERA does not yet go into detail on the regulatory mechanisms that must be developed and which will come into force in 2024 for the electricity distribution and metering service, but it does intend to obtain an initial assessment from operators, end customers and other participants. Comments were sent by 31 January 2022.

On 12 July 2022, the Authority published DCO 317/2022/R/com, offering further clarifications and observations on the scope of application for the ROSS approach and the criteria used to determine the historic cost recognised under the ROSS BASE approach. Comments were sent by 14 September 2022.

On 25 October 2022, ARERA published resolution 527/2022/R/com, beginning a procedure to define the adjustment criteria based on the ROSS-complete model. By 31 December 2023 a framework resolution will be published, containing the general criteria for ROSS Complete adjustments and in 2024 specific sector provisions will be published for the various regulated services, which will contain methods and objectives for experiments.

In DCO 655/2022/R/com, ARERA published its final guidelines on the criteria for determining the cost recognised under the ROSS-base approach and a first draft of the TIROSS (Consolidated regulatory law on spending and service objectives for regulated infrastructure services in the electricity and gas sectors) for 2024-2031: the duration of the regulations contained in TIROSS is 8 years, while the duration of the regulatory period for each regulated service is 4 years. The DCO provides additional indications relative to determining the spending to be included in tariff recognition, on determining total efficiency recoveries and the treatment of capital spending existing as of the cut-off date. Distribution companies can submit their comments until 23 January 2023.

On 18 April 2023, with Resolution 163/2023/R/com, the Authority published the Consolidated law on general criteria and standards for regulating spending and service objectives for 2024-2031 (TIROSS 2024-2031), and approved Part I, containing shared provisions, as well as part II, dedicated to ROSS-base. This Resolution also confirmed the guidance anticipated in DCO 655/2022/R/com, postponing the definition of specific parameters for future specific provisions relative to each regulated infrastructure service. Subsequently, on 18 May 2023, ARERA sent to the main DSOs, Snam and Terna, a request for information, specifically simplified economic, equity and financial projections for the purposes of regulating spending and service objectives (ROSS), to determine future capitalisation rates, the X-Factor and the Z-Factor for the First ROSS Regulatory Period. This information was to be provided for 2023-2027.

With resolution 165/2023 of 18 April 2023, the Authority resolved to begin a procedure to establish provisions for infrastructure regulation with reference to electricity distribution and metering services for regulation period 2024-2027. This procedure will end by 31 December 2023, relative to general aspects, with application for the entire period from 2024-2027, and by 31 December 2027 with regards to specific application aspects, for example preparation of application criteria for the full ROSS regulation and the introduction or updating of output-based regulatory mechanisms.

Finally, on 22 November 2022, the Authority published resolution 599/2022/E/com which began an audit campaign with reference to documents on the topic of accounting separation and declared investments for a sample of regulated companies in the electricity distribution and natural gas distribution and transport sectors for the years 2018-2021.

The Italian Waste Management market

The current situation of production and treatment capacity for waste in the traditional operational areas of the ACEA Group and in the neighbouring areas shows a high "potential demand" for waste management (disposal in landfills, waste-to-energy, composting and biogas production, sludge and liquid waste treatment, recycling of mixed materials and production of Secondary Raw Materials). This is facilitated by a national regulatory framework that provides incentives and by the regulatory support of European directives on the recovery of materials and energy, as well as by the implementation of the European Union's policy guidelines on the circular economy (closing the loop), which are being implemented in Italy by virtue of a delegated law that has given the government the obligation to update environmental legislation adapting it to the new EU standards.

Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.

Finally, the expansion of the potential for disposal/recovery of sewerage sludge – in the context of value added environmental services (sludge treatment, compost) – could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

Water Regulation

Among the main regulatory changes relative to the first half of 2023, specifically with reference to the water sector, the most important is the **2023 Budget Law** (Italian law 197 of 29 December 2022, published in the Official Journal 303 of 29 December 2022, SO no. 43), which took effect on 1 January 2023. In particular, paragraphs 519-520 involve **financing of the Peschiera water system**. Paragraph 519, to improve water supply for the metropolitan city of Rome, authorises total spending of 700 million (50 million 2023 and 2024 and 100 million in the years from 2025 to 2030), to create the “new upper section of the Peschiera aqueduct, from the sources to the Salisano Plant”, as part of the project to secure and modernise the Peschiera water system (annex IV, no. 8 to Decree Law 77/2021). Paragraph 520 delegates to an MIT decree, to be adopted in concert with the MEF, by April 2023, but not yet issued, the identification of projects to finance with the resources established in paragraph 519, as well as the methods for disbursement and cases for revoking the resources, through presentation of the relevant documentation by the extraordinary commissioner.

Another important change is the publication, in the Official Journal 55 of 6 March 2023, of **Legislative Decree 18/2023**, “Implementing Directive (EU) 2020/2184 of the European Parliament and Council of 16 December 2020, concerning the **quality of water intended for human consumption**.” The date of entry into force for this provision is 21 March 2023, however with different time frames for the various actions. The new regulation is not limited merely to the quality of potable water and monitoring of the same, but also includes other aspects such as water loss, water access, user information and additionally contains provisions on materials in contact with water, reagents and filtering materials.

With reference to water loss, ARERA must prepare the data acquired from managers, in line with the provisions of the technical quality regulation and communicate the national average to the European Commission by 12 January 2026; if the average identified as a threshold by the Commission is exceeded, an action plan must be established with the relative measures to reduce the national water loss rate, to be adopted through a prime ministerial decree.

The issue of water access is also worthy of note, which involves adoption by the Regions and Autonomous Provinces of measures needed to maintain and improve access to water intended for human consumption, in particular for vulnerable and marginalised groups, promoting the use of tap water. No less important are new provisions regarding public information, already introduced in the regulation associated with resolution ARERA 609/2021/R/idr.

Also note that in Official Journal General Series, no. 59 of 10 March 2023, the MEF Decree of 31 December 2022 was published, containing general criteria for the Regions to determine **concession fees for public water utilities**.

The provision serves the goal of ensuring standard regulations throughout the country, to that end establishing general criteria for the Regions to determine concession fees for public water utilities, taking into account environmental costs and costs for the resource and pollution, contributing to achieving the milestone in the NRRP, M2C4-2 – Reform 4.2: Measures to guarantee full management capacity for integrated water services.

Another provision of interest during the reference period is Decree Law 39 of 14 April 2023, converted with Law 68/2023 (Official Journal 136 of 13 June 2023), containing urgent provisions to combat water scarcity and strengthen and adapt water infrastructure (the **Drought Decree Law**). The various measures include the establishment of a Steering Committee for the water crisis, chaired by the Prime Minister, with the task of guiding, coordinating and monitoring, and also responsible for identifying works and projects to be urgently implemented to deal with the water crisis in the short-term. As indicated in a Prime Ministerial Press Release, in May the first meeting of the Steering Committee was held, during which priorities were established and requests coming from various areas began to be examined, with the initial projects for 5 regions already identified, including Lazio, with a total investment of € 102 million made available by MIT. The Drought Decree Law also calls for the appointment of an extraordinary commissioner, in office until 31 December 2023, extendable until 31 December 2024, responsible for the urgent implementation of the projects identified by the Steering Committee; to that end, Nicola Dell’Acqua was appointed by the Council of Ministers on 4 May 2023.

Finally, with reference to the EU, we note the reasoned opinion sent by Italy to the European Commission on 15 February, as part of the INFR 2018-2249 infraction procedure in relation to non-compliance with the Nitrates Directive (91/676/EEC), with an invitation to better protect the population and ecosystems of the country from pollution caused by nitrates used in agriculture. The opinion was preceded by two default notices: the first in November 2018, inviting the authorities to guarantee stability for the network used to monitor nitrates, to carry out a review, and to designate areas vulnerable to nitrates, adopting supplementary measures in various regions; in December 2020 a complementary letter was sent, which while recognising a certain level of progress, indicated worries with regards to certain violations in various regions in which the situation for subterranean waters polluted with nitrates is not improving or in which a worsening of the problem of eutrophication of surface waters has been seen. Italian authorities have two months in which to respond and adopt the necessary measures.

Also note, in June, Italy’s referral to the European Court of Justice for improper implementation of Directive 91/271/ECC on treatment of urban waste water (case C-85/13, infraction procedure 2009/2034); in fact, according to the European Commission, of the 41 initial agglomerates in the case, 5 had still not been made compliant and the 2027 deadline established by Italy for resolution was not considered acceptable.

The main measures issued by ARERA during the reference period are analysed below.

ARERA and water services

With **Resolution 64/2023/R/idr** of 21 February 2023 the procedure to define the water tariff method for the fourth regulatory period (MTI-4) or 2024-2027 was launched. The procedure, expected to be completed by 31 December 2023, calls for one or more consultation documents, and the possibility of carrying out the necessary investigations, including the establishment of technical meetings or focus groups.

The provision also indicates the average cost for electricity supply sector for the year 2022, equal to € 0.2855/kWh.

The considerations also include a preview of the Authority’s guidelines. In particular, we note:

- the possibility of introducing additional mechanisms to promote management efficiency, also through the use of statistical models;
- strengthening measures to guide investment choices towards innovative solutions, with lower environmental impacts and greater resilience with reference to extreme climate events;
- the expansion of incentive measures for energy efficiency and self-consumption projects, reducing the use of plastic, recovering raw materials, reusing water, and reducing the amount of sludge disposed of in landfills;
- updating provisions used for ex officio tariff determination, excluding the tariff update and convergence adjustment, also in the light of the most recent regulatory provisions on governance;
- increasing attention on the efficacy of spending on water infrastructure investments, with reference also to the various sources of funding available, including public;
- achieving balance between efficient financial sustainability of management and social sustainability of user tariffs.

The new tariff method must also take into account the regulation for the minimum content of calls for tender, to be defined following the proceeding launched with **resolution 51/2023/R/IDR** in compliance with article 7, paragraph 2 of Legislative Decree 201/2022 (Restructuring of regulations for local public services of economic relevance), and intended to establish the basic structure for tenders to assign management of the integrated water service. The procedure is expected to be completed by 30 September 2023 and one or more consultation documents are foreseen. The procedure is in particular aimed at establishing minimum content for tenders, in order to guarantee greater uniformity in the documents governing public procedures to assign management of the integrated water service, and to govern the criteria used to determine the starting amount for the tender, and to formulate and assess offers (economic and technical), so that these are consistent with regulatory provisions on tariffs and quality.

Another aspect which is certainly of interest are the memos presented by the Authority in relation to regulatory developments in the relevant sector; of these we identify the most important published in the reference half.

Memo 106/2023/l/idr provides the Authority's considerations on COM (2022) 540 (Framework for Community action in the field of water policy) and COM (2022) 541 (Urban wastewater treatment), guided by the EU's Senate Policy Commission. The document is intended to provide assistance with reference to the EUR directive proposals above, in particular COM (2022) 541, relative to which considerations and proposals are offered based on technical/economic assessments. More specifically, with reference to a series of actions, less stringent schedules are requested due to the significant impact foreseen in the current structure of the proposed directive. Additionally, adjustments are requested with regards to energy neutrality objectives for treatment plants.

In **Memo 178/2023/l/idr** ARERA provides its contribution to the already cited Decree Law 39 of 14 April 2023, containing "Urgent provisions to combat water scarcity and strengthen and adapt water infrastructure", for the purposes of its conversion into law. The aspects highlighted by the Authority include the need for projects dealing with the water crisis to be included in the National Plan for Infrastructure Interventions and Safety in the Water Sector" (paragraph 516, Law 205/2017), for the purposes of more effective coordination of the same. ARERA also proposed the adoption of incentive mechanisms to promote efficiency and improved quality, also for uses other than civil, while with regards to reuse of purified waste water, measures are proposed with the aim of simplifying authorisation procedures.

Finally, in **Memo 232/2023/l/com** the Authority makes reference to the VIII Environment, Territory and Public Work and X Productive Activity, Commerce and Tourism Commissions of the Chamber of Deputies for energy poverty, the disbursement of social bonuses and the waste tariff system. Specifically with regards to the water social bonus, it is noted that at present the preliminary actions allowing for automatic disbursement have been completed for around 80% of the domestic population.

In its **sixteenth interim report (34/2023/l/idr)** prepared pursuant to article 172, paragraph 3-bis of Legislative Decree 1527/2006, the Authority updated the informational framework regarding restructuring of local assets in the water sector. The framework emerging highlights the definitive completion of processes for local entities to adhere to the relative government entities in all the areas of the country and the consolidation of the process to rationalise the number of OTAs, currently totalling 62, the need to complete the process begun to achieve full implementation in certain local areas and the start, by certain Regions, of the use of substitute powers, based on the legislative changes recently introduced in Decree Law 115/22. The push made by the Region of Lazio in exercising its substitute powers to definitively transfer the water service to the relative single operators in the various Municipalities can be seen in this light. Also worthy of note is the need to complete the assignment of the integrated water service throughout Italy, and to rapidly conclude the process of rationalising and consolidating the array of managers, in line with current regulatory provisions.

With respect to consumer protection, we note in particular the publication of Resolution 233/2023/E/com of 30 May 2023. With this provision, the Authority established that, as of 30 June 2023, an obligatory settlement attempt is required also for the water sector as a condition for proceeding to legal action. Therefore, if an end user decides to take legal action, they must first attempt to resolve the dispute with the ARERA Conciliation Service or other bodies established for out of court dispute resolution. In this way the regulations of the Comprehensive Conciliation Law (TICO) were extended to the water sector, the law having already been in effect for the electricity and gas sectors since 1 January 2018. The resolution also establishes specific information requirements for managers affected by these new provisions.

Also in the first half of 2023, the Authority published the revision of its Annual Report on Conciliation Service Activities for 2022. The document indicates that conciliation requests received in 2022 totalled 24,339, of which 3,184 for the water sector and, of these, 71.3% relative to billing, 5.2% to metering, 5.1% contracts, 4.0% connections, labour, arrears and suspension, 1.3% contractual quality and 0.5% technical quality. The Regions with the highest number of requests are: Abruzzo, Lazio, Campania, Marche, Basilicata and Liguria. At the end of the conciliation procedure (for all regulated sectors) a satisfaction questionnaire was provided, completed by 8,781 customers; 96% of them said they were satisfied with the service received.

On the subject of social bonuses, we note resolution **13/2023/R/com**, through which the Authority updated the ISEE threshold amounts for accessing these bonuses, in line with the provisions of the 2023 Budget Law. As of 1 January 2023, the access threshold is € 9,530, while a maximum value of € 15,000 was established for small families.

In relation to the exceptional weather seen in May 2023, with resolutions 216/2023/R/com and 267/2023/R/com ARERA suspended payment of water, waste, electricity and gas bills and notices until 31 August, implementing Decree Law 61/2023 (the Flood Decree), while also postponing to another resolution an additional extension in the stated suspension. Provisions were also included with respect to instalment payments of fees and the suspension of arrears cases, as well as an update to the UI1 tariff component, effective as of 1 July 2023, which is now equal to € 0.6/cubic metre.

With respect to technical quality regulations, we refer to resolution **303/2023/R/idr**, which approved the methodological note containing the initial investigation results for quantitative assessments for 2020-2021. The note outlines the investigation process, highlighting the problems encountered, the high number of managers involved and the results in terms of applying the bonus/penalty incentive mechanism. Hence, following the additional research in progress by the Authority, we await publication of the definitive measurements.

Finally, we note the elimination, effective 1 July 2023, of the UI4 balancing component to supply the Guarantee Fund for water works, established with resolution **239/2023/R/idr**. This component was introduced on 1 January 2020, in the amount of € 0.4/cubic metre, increasing the aqueduct, sewer and purification fees, and calling for a half-yearly update in relation to the requirements of the relative account held with the Cassa per i Servizi Energetici e Ambientali (CSEA).

Electrical Regulation

Biennial limitation

Article 1, paragraphs 4-10 of the 2018 Budget Law, introduced a two-year limitation on electricity supply contracts, initially establishing that end users were not eligible for this in the case of the failed or erroneous recording of consumption data, attributable to users. Paragraph 295 of Article 1 of the 2020 Budget Law eliminated this specification, establishing that the biennial limitation was also applicable in the case of confirmed responsibility on the part of the customer, and introducing objective liability in respect of the electricity chain operator, and in particular, the distributor, in its capacity as metering service operator, even without any liability or inefficiency in terms of its service provision. With Resolution **184/2020/R/com**, ARERA transposed the provisions of the 2020 Budget Law with reference to the case of exclusion from the biennial limitation in cases of failed or erroneous recording of the electricity metering data, arising from the confirmed responsibility of the end customer. On 27 July 2020, Areti and Acea Energia submitted an appeal to the Regional Administrative Court to have Resolution 184/2020/R/com cancelled. The appeal was accepted with the consequent cancellation of the resolution on the basis that the interpretation of the 2020 Budget Law had only referred to the duration of the limitation (two years instead of five years), without excluding the applicability of the general civil code regulations regarding limitation.

With Resolution **603/2021**, the Authority amended Resolution 569/2018/R/com on the billing of consumption dating back more than two years as a result of DCO 457/21, in order to comply with 14 June 2021 Rulings 1441, 1444 and 1449 of the Lombardy Regional Administrative Court. With this resolution, the Authority confirmed the distributor's obligation to notify the seller, via certified email (PEC) – contemporaneously with the metering or adjustment data referring to consumption dating back to a period more than two years back – the indication of the presumed existence or non-existence of causes hindering the accrual of the limitation period pursuant to the primary and general reference legislation. It also confirmed that the seller's information obligations vis-à-vis the end customer should be separated depending on whether or not there are any amounts on the invoice for which the limitation is contested. The Authority has also provided for a transitional phase, pending the implementation of the flows between the various entities in the chain and the IWT, which provides for the same information to be transmitted between the parties in a non-automated manner but with a defined time frame.

Following on from DCO 386/2021, the Authority published Resolution **604/2021/R/com**, which provides for:

- an annual compensation mechanism for the greater protection operator or the dispatching user associated with a withdrawal point, making it possible also to recover in the successive annual session any amounts not recovered in the reference annual session;
- a mechanism to make distribution companies liable, whereby from 2023 all electricity distribution companies will be required to pay a penalty to CSEA each year for recalculations invoiced in the previous year due to non-collection of actual readings or adjustments of actual metering amounts previously utilised, for the portion prior to 24 months of the date on which the data was made available.

Subsequently, with a precautionary ordinance, the Regional Administrative court suspended ARERA resolution 603/2021, limited to article 6.4 of the Annex to the same, that is the transitional regulations which require the distributor to respond within 7 days. With ordinance 4568/2022 of 13 October 2022, the Court of Bologna clarified that SME and large companies are excluded from the category of entities to which the biennial limitations apply for electricity and gas bills.

Note that the Authority published resolution 86/2023/C/com with which it decided to appeal to the Council of State against the judgements issued by the Lombardy Regional Administrative Court with reference to the cancellation of communication requirements imposed on distributors in relation to the biennial statute of limitations on utility bills pursuant to articles 5 (“Distributor communication obligations”) and 6.4 (“Transitional norms”) of Annex A to resolution 603/2021 and article 9 of resolution 604/2021. The Authority believes there is good reason to appeal the referenced Lombardy Regional Administrative Court judgements given that these are based on an erroneous interpretation of the relevant events and laws.

Measures to limit bill price increases

Following the projects implemented throughout 2022 to limit the effects of price increases in gas/electricity commodities, in the 2023 Budget Law the government ordered, for the first quarter of 2023:

- the elimination of general system charges for the electricity sector for all domestic customers and for non-domestic customers with available power up to 16.5 kW and for gas, for all users (ARERA resolution 735/2022/R/com);
- extension of the reduced 5% VAT for administration of thermal energy produced with methane, in execution of an energy service contract;
- expansion of the electricity and gas social bonuses, enlarging the range of beneficiaries by raising the ISEE threshold for access to € 15,000 (from the previous 12,000, with the threshold for large families remaining at € 20,000) and adjusting the value of the contribution in consideration of the ISEE value, with the aim of guaranteeing greater savings for the households suffering the greatest difficulties, by maximising the resources available (ARERA resolutions 13/2023/R/com and 23/2023/R/com).

The government also confirmed and strengthened the tax credit granted to non-energy intensive and non-gas intensive companies for spending on energy and gas during the first quarter of 2023, maintaining the requirement for the seller company to calculate the same if requested by the customer (ARERA resolution 76/2023/R/com).

The same Budget Law also established for 2023 a temporary “solidarity contribution” with respect to 2022 income that exceeds by at least 10% the average of total income achieved between 2018-2021. It also establishes that the amount of this contribution cannot exceed 25% of shareholders’ equity as of the reporting date in the year prior to that in effect at 1 January 2022.

This tax on extra profit applies to companies that generate at least 75% of their revenue from business in the sectors of production and resales of energy, gas and petroleum products.

Implementing that ordered in Decree Law 34/2023 (the Fifth Aid Decree), ARERA, in its subsequent resolution 134/2023/R/com, reactivated general system charges for all electricity customers, including domestic users, establishing the rates for the Asos and Arim tariff components at a level consistent with 2023 requirement forecasts for the relative management accounts. On the other hand, for the gas sector the elimination of system charges for all gas customers remained, but the value of the negative Ug2c element rate was reduced. Hence, in May 2023 this was at zero. ARERA also confirmed the reduction of VAT to 5% for management of heat, district heating and gas.

Relative to the social bonus, for the period falling between 1 April and 30 June 2023, application of supplementary social bonuses was confirmed (the “CCI” introduced in the last quarter of 2021), the amounts of which vary based on the different categories of social bonus recipients. Additionally, based on that established in the Decree Law of 30 March, from 1 April 2023 until 31 December 2023, the threshold for large families with 4 or more dependent children was raised to € 30,000 (implemented with resolution 194/2023/R/com).

Also, with resolution 153/2023/R/com, ARERA implemented the provisions of the Prime Ministerial Decree of 15 March 2023, which called for a one time contribution per withdrawal point for those receiving a bonus for physical hardship as of 31 December 2022, for electricity supplies with power levels of 3.5 kW or greater and consumption in the average (between 600 and 1200 kWh) and maximum range (over 1200 kWh).

The government also confirmed but reduced the tax credit granted to non-energy intensive and non-gas intensive companies for spending on energy and gas during the second quarter of 2023, maintaining the requirement for the seller company to calculate the same if requested by the customer (ARERA resolution 259/2023/R/com).

Provisions to support the flooded areas in Emilia-Romagna

Following the exceptional weather events in May 2023 in Emilia-Romagna, ARERA urgently arranged, with resolution 216/2023/R/com, suspension of payment for invoices issued or to be issued with due dates from 1 May 2023 on and consequently regulations for suspension due to arrears, also in the case of arrears occurring prior to the same date of 1 May 2023.

With the subsequent resolution 267/2023/R/com, ARERA better specified that the period of suspension for users located in the impacted areas (annex 1 to Decree Law 61/23) is equal to 4 months, from 1 May 2023 to 31 August 2023, and called for automatic establishment of 12 instalment payments for these amounts.

In support of sellers, ARERA established an advance mechanism for the amounts with suspended payment; this mechanism can only be accessed in the case of demonstrated financial problems, or if the suspension involves users that account for over 3% of total sales with reference to the first 4 months of 2023.

Instalment schedules for invoices

Implementing that established in the Fourth Aid Decree Law, the Ministry of Environment and Energy Security and the Ministry of Business and Made in Italy issued a Ministerial Decree on instalment schedules for utility bills. This allows companies to request instalment schedules for amounts due for the energy component of electricity and natural gas utilised for reasons other than thermoelectric, in excess of the average amount paid, with equal consumption, during the reference period from 1 January to 31 December 2021, for consumption between 1 October 2022 and 31 March 2023, and invoiced by 30 September 2023.

Suspension of unilateral changes

In the Thousand Extensions Decree Law, the government extended from 30 April 2023 to 30 June 2023 the deadline for applying the provisions of article 3 of Decree Law 115/2022, which suspends the efficacy of contractual clauses allowing companies that supply electricity and natural gas to unilaterally modify general contract conditions with reference to defining prices. The provision also specifies that this suspension does not apply to contractual clauses that allow the company supplying electricity or natural gas to update the economic conditions in the contract upon expiration of the same, in compliance with the terms for prior notification established in the contract, and without prejudice to the counterparty’s right to withdrawal.

Gradual protection service for micro-businesses

The Authority, with Resolution **208/2022/R/eel** defined the regulation of the Gradual Protection Service (GPS) for micro-businesses pursuant to Italian Law n° 124 of 4 August 2017 (“annual law for the market and competition”) and the methods of assigning the same, in order to guarantee continuity of the supply to micro-businesses connected in low voltage that are without a contract at free market conditions starting from 1 January 2023.

The service involves:

- micro-businesses that fulfil cumulatively the following conditions:
 1. they have less than ten employees and an annual turnover of not more than € 2 million;
 2. they are holders of withdrawal points all connected in low voltage with contractually committed power of up to 15 kW;
- other final non-domestic customers different from the micro-businesses, in any case holders of withdrawal points all with contractually committed power of up to 15 kW.

The GPS is activated for the above customers which as of 1 January 2023 are not holders of a supply contract at free market conditions, including customers still supplied in greater protection. The first period of assignment of the GPS for micro-businesses has a duration of 4 years.

The structure of the economic conditions that will be applied to the customers is similar to that of the Gradual Protection Service for small businesses. The tender procedures will be performed according to the model of simultaneous iterative ascending auction, in which an auctioneer (Acquirente Unico) will be present and will indicate in each session and for each area (12 territorial areas) the current price (the current price is the price, expressed in euro cents/POD/year, announced in each session by the auctioneer, in exchange for which the active participants offer to provide the gradual protection service for micro-businesses in the territorial area). A maximum ceiling on the economic offer in €/MWh is provided for. This is differentiated for each territorial area and will be made known at the same time as the results of the tender procedures, while a minimum limit is not provided for. In the case of persistent parity among several offers for a given territorial area, lots will be drawn electronically, preventing a single operator from obtaining by lot a plurality of territorial areas. The Authority ruled that each participant may be awarded a maximum number of 4 areas, corresponding to 35 % of the total number of territorial areas. If there are no bids in the auctions, Acquirente Unico will hold a remedial auction removing the ceiling of awardable areas. The greater protection provider will be required to take charge of the service in the event of default of the operator selected in the tender or in the event of a tender without participants.

The GPS providers are required to present to the Authority a report, by 30 November 2022 from the publication of the results of the tender procedure, according to a standard model to demonstrate that they possess organisational resources and a corporate structure adequate for the purpose of providing the gradual protection service in the territorial areas assigned. This standard model was defined in Determination 2/2022-DMRT. The report must be periodically updated by 31 July 2023, 31 January 2024 and 31 January 2025.

The timings for making available to participants in the tender procedures all the information necessary for formulating the offer and for performing the tender procedures are:

- by 14 June: Acquirente Unico will make the information available to participants with provincial details necessary for formulating the offer;
- by 30 May: Acquirente Unico will publish on its website the Regulation for the performance of the auctions;
- beginning of September: the date of the auctions will be defined by the SP in the Regulation so that a minimum interval of at least two and a half months will be guaranteed, with respect to the term within which the pre-procedure information is made available to participants (14 June).

As provided for in Annex B to Resolution 208/2022, on 30 May 2022 the Regulation and the related annexes governing the competitive procedures for assigning the gradual protection service for micro-businesses was published on Acquirente Unico’s website.

By 10 June 2022 Acea Energia presented an application for participation and on 14 June 2022 Acquirente Unico made available the pre-procedure information.

Acquirente Unico noted its admission to the tender procedure by 8 July 2022. The auctions were to have been held from 12 to 16 September, but, following the hacker attack on the SP’s systems, the Authority was forced to postpone, holding them between 21 and 25 November 2022. With resolution 586/2022 published on 18 November 2022, ARERA postponed the activation date for the GPS for the micro enterprises to 1 April 2023, clarifying that, until 31 March 2023, micro enterprises will continue to be served under enhanced protection.

On 16 December, Acquirente Unico published the results of the tender procedure to identify the operators of the Gradual Protection Service for micro enterprises from 1 April 2023-31 March 2027; Acea Energia was awarded area no. 11, including Avellino, Barletta-Andria, Benevento, Brindisi, Trani, Foggia, Lecce, the municipality of Naples and Salerno.

Also note that the micro enterprises identified by the Municipality of Rome in area no. 8 were awarded to another supplier through a drawing of lots, in which Acea Energia participated.

Following the conversion into law of Italian Legislative Decree 162/2019 (Thousand Extensions) with Italian Law no. 8 of 28 February 2020 (in force since 1 March 2020), with regard to the end of the protected market it was established that:

- the protected market for small businesses (an enterprise employing less than 50 people and having an annual turnover or annual balance sheet total not exceeding € 10 million) will end in January 2021;
- the protected market for households and micro-enterprises (an enterprise employing less than 10 people and having an annual turnover or annual balance sheet total not exceeding € 2 million) and the gas standard market will also end in January 2022;
- ARERA must establish the contractually committed power level as the criterion for identifying micro-enterprises, in addition to those already identified by the directive;

- from the aforementioned dates, the Authority shall take measures to ensure service for final customers without an electricity supplier, as well as specific measures to prevent unjustified price increases and alterations in the conditions of supply to protect such customers;
- after consulting with the Authority and AGCM, and receiving an opinion from the parliamentary commissions, MISE must establish the methods and criteria for the informed entry of end users into the market, using mechanisms that can ensure competition and a plurality of suppliers and offers on the free market.

On 31 December 2020 the MED signed the decree "Free electricity market. Scheme for informed entry of end customers for small enterprises as of 1 January 2021, completing that established by the Authority in resolution 491/2020/R/eel. The main subjects dealt with in the decree regard:

- the launch of information campaigns for all types of final customers, which will involve many different institutional bodies in collaboration with the industrial organisations and consumers' associations;
- the provision for six-monthly ARERA monitoring, for the period 2021-2022, on the evolution of customer behaviour, the trend in prices offered, the transparency and advertising of offers and the associated services, assessing the introduction regulatory measures aimed at strengthening the effectiveness of instruments for the comparability of offers. This monitoring will take place starting from 1 July 2021 and up to 31 December 2022;
- the confirmation of operations of the Gradual Protections Service for small enterprises starting from 2021, to be assigned through competitive procedures starting from July 2021, specifying that:
 - ✓ the identification of territorial areas must be characterised by a balanced level of risk connected with arrears or by dimensional uniformity in terms of volumes;
 - ✓ the maximum volume assignable in a tender procedure to a single operator of the whole country is 35%, contrary to what was provided for by ARERA in Resolution 491/2020/R/eel;
 - ✓ the provision for specific incentive mechanisms to recover arrears on the basis of the specific nature of the customers;
 - ✓ it confirms the three-year duration of services assigned in a tender procedure;
 - ✓ it confirms the transitional regimen up to June 2021;
 - ✓ ARERA must prepare a periodic report on the implementation of the gradual protections service and on the results of the competitive procedures.

Following the conversion into law of Decree Law 183/2020 (Thousand Extensions) through Law 21 of 26 February 2021 (in effect as of 2 March 2021), the termination of the price protection regimes for domestic and micro-enterprise customers was postponed from 1 January 2022 to 1 January 2023.

Following the conversion to law with amendments of Decree Law 152 of 6 November 2021 (NRRP Implementation Decree Law), through Law 233 of 29 December 2021, lawmakers established that:

- micro enterprises will be served through gradual protection as of 1 January 2023 and the competitive procedures will take place throughout 2022. At 31 December 2021, micro enterprises in Acea Energia total around 95,000 POD;
- domestic customers will transfer to the Gradual Protection Service following the competitive procedures that will be completed by 10 January 2024. While awaiting these auctions, they will continue to be served under greater protection operators based on guidelines established with subsequent decree by the Ministry of Ecological Transition;

The Authority published notification 461/22 in which it highlighted the need to postpone the date for removing price protection for electricity for micro enterprises to 1 July 2023, proposing at the same time the postponing of the competitive procedures to the first quarter of the same year. It should be emphasised that:

- first of all, the date of January 2023 "cannot be respected for causes of force majeure", due to the hacker attack on the IT systems of Acquirente Unico;
- the current situation associated with energy price trends will make it difficult for operators to prepare their bids for the auction.

Additionally, the Authority highlighted the consequent need to also postpone the procedure to assign the GPS for domestic electricity customers and to align the removal of the protection service for domestic natural gas customers (in fact established in the subsequent Energy Decree Law), also to mitigate the concrete risk of creating confusion between the various groups of customers involved. ARERA holds that its proposal is consistent with the current commitment made by Italy in the NRRP with respect to liberalising the electricity market, which does not call for the process to be completed by 1 January 2023, but rather begun on that date.

On 8 September 2022, MITE Ministerial Decree 315 of 31 August 2022 was published, relative to terminating the greater protection regime for micro enterprises. In summary:

- the general principles of the auction model proposed by ARERA in resolution 208/22 are confirmed;
- nothing is stated about managing stranded costs or the need to establish possible social clauses;
- MITE will need to carry out institutional and local informational campaigns in cooperation with trade and consumer associations;
- ARERA will need to strengthen transparency with respect to economic conditions and ensure, through the greater protection operator, information on the switch to gradual protection (already regulated by ARERA in resolution 208/22);
- it is established that before the expiration of 4 years of service supply, the operator will inform customers, if no choice has been expressed, that at this date the customer will continue to be supplied by the same operator using its most economically suitable free market offer.

Decree Law 176/22 postponed the end of the Gas Protection Service, calling for it to be removed as of 10 January 2024, extending by one year the expiration established in Decree Law 183/20. Starting on the date the gas protection service ends, the Second Aid Decree (article 2 of Law 142/2022):

- establishes that all sellers and last resort supply service operators (hereafter: FUI) are required to offer the most vulnerable customers natural gas supplies at a price that reflects the effective cost of procured on the wholesale market, the efficient costs of the sales service, contractual conditions and service quality, as defined by the Authority, to which was also given the task of introducing specific balancing measures in favour of the FUI;
- defines as “vulnerable natural gas customers”, civil customers falling in at least one of the following classes: a) experiencing economic disadvantages pursuant to article 1, paragraph 75 of Law 124/17; b) individuals with disabilities pursuant to article 3 of Law 104/92; c) users whose utilities are located on smaller non-interconnected islands; d) users whose utilities are located in emergency residential structures following disasters; e) persons older than 75.

Provisions for strengthening the disclosure obligations of the commercial conduct code to the advantage of final customers in the retail market

On 30 June 2022, the Authority published **Resolution 289/2022/R/com** which provides for both the adjustment of the Commercial Conduct Code to the provisions of Italian Legislative Decree 210/2021 for supplies of electricity on the subject of contractual rights of final customers and the monthly updating of the spending estimate of offers at variable price and of the protection services present in the Comparability Sheets for supplies of electricity and natural gas. The provisions took force on 1 October 2022.

Specifically:

- with reference to art. 5, paragraph 6, of Italian Legislative Decree 210/21 on the subject of methods for communicating withdrawal on the part of the final customer, not amend the regulation owing to the compliance of the said regulation with the aforesaid provisions;
- with reference to the provisions of article 5, paragraph 8, of Italian Legislative Decree 210/21, supplement the supply contract and the Summary Sheet, in the part related to the methods and terms for payment of the bills, introducing the reference to the current legislation so as to make explicit and transparent the information for the final customer in relation also to any charges connected with a chosen method of payment observing the criteria of the primary legislation;
- with reference to the provisions of article 5, paragraph 11, of Italian Legislative Decree 210/21 supplement the content of the section “Complaints, dispute resolution and the consumer’s rights ” in the “Other information” box of the Summary Sheet adding the information on the rights connected with the universal public service obligations of electricity sellers;
- with reference to the provisions of article 7, paragraph 5, of Italian Legislative Decree 210/21, on the subject of informing the final customer of the possibility for electricity sellers to impose on final customers the payment of a sum of money in the case of early withdrawal from a temporary or fixed-price electricity supply contract observing the application criteria provided for in Italian Legislative Decree 210/21 itself, provide further details on the subject, in the light of the contrary observations received from the consumers’ associations that expressed the need to provide final customers with an informative framework as transparent, clear and comprehensible as possible on the option for the seller to demand payment of a sum of money in the case of early withdrawal from a temporary or fixed-price electricity supply contract and the related criteria;
- with reference to the change in the calculation of the annual spending estimate of offers at variable price, including protection services, on the Offers Portal, confirm the monthly and no longer quarterly update of the forward indices. In order to guarantee the maximum consistency between the Authority’s Offers Portal and the informative material delivered by sellers to final customers at the pre-contractual stage provide for a monthly frequency of updating the annual spending estimate of the protection services. On this point ARERA accepted partially the operators’ observations providing for a term of 7 working days instead of the 5 working days originally suggested from the publication of the said estimate for updating the Comparability Sheets to be delivered to final customers.

Reactive energy

During 2022, ARERA completed the reform of tariff regulations for reactive energy, calling for application of the fees for reactive energy issued in the F3 band as of 1 April 2023; the introduction of this fee, initially established in 2022 (resolution **568/2019/R/eel**), is intended to improve the efficiency of the electricity system.

With resolution **232/2022/R/eel** ARERA therefore created regulations for this new fee for non-domestic LV end users with power exceeding 16.5 kW and for non-domestic MV end users, as well as interconnections between MV grids and interconnections between LV grids. ARERA also established, for sellers and distributors, a series of initiatives intended to inform end users of the fee to stimulate the technical actions needed to mitigate the phenomenon of reactive energy issued.

In resolution **712/2022/R/eel** ARERA called for the introduction of the fee for issuing of reactive energy for HV and extra-high voltage, establishing a “base” fee for reactive energy issued and a supplementary fee borne by only those entities in a homogeneous area, while also reducing to 33% (from the prior 50%) the limit ratio between reactive and active energy for excessive withdrawals.

ARERA’s decision to apply a differentiated fee is the consequence of additional research requested from Terna and HV and EXV grid distributors, who had noted non-homogeneous impacts on the national electricity grid in the light of which, in order to not penalise all customers and distributors by applying uniform fees, ARERA held it better to differentiate between the “base” fee to be applied to the entire grid and the higher fee to apply to the “homogeneous areas”, characterised by greater impacts from reactive energy exchanges on grid voltage and the consequent costs to control the voltage. Finally, in its subsequent resolution **124/2023/R/eel**, ARERA adopted a list of electrical nodes on the relevant grid in the homogeneous areas, for the purposes of applying the increased fees for reactive energy issued.

Network losses

With Resolution 449/2020/R/eel the Authority amended the regulation on network losses for the three years 2019-2021:

- reducing the commercial loss factor recognised in LV (1.83% for areti) and, consequently, the percentage of standard loss to be applied to withdrawals of LV final customers which, only for 2021, goes from 10.4% to 10.2%;
- awarding the DSOs, for the three years 2019-2021, an equalisation amount equal to the lower between the value obtained counting the energy lost with the selling price to higher protection providers (PAU) differentiated by month and by band and that obtained from the annual average PAU;
- it does not introduce the process of ensuring greater efficiency of commercial losses for DSOs;
- it introduces a mechanism for recognising fraudulent non-recoverable withdrawals based on requests from the companies, to be presented in 2022 with reference to 2019-2021, after verification of the existence of specific requirements, including having an overall net result for equalisation during 2019-2021 to be paid by the company. This amount represents the maximum amount that can be recognised to the DSO if the request is accepted by ARERA.

On 31 May 2022 Areti presented to the Authority an application for recognition of the 2019-2021 network losses attributable to non-recoverable fraudulent withdrawals, under the terms of art. 31 of the TIV.

Subsequently, the Authority published resolution 42/2023, initiating the procedure to verify the existence of the right to recognition of non-recoverable fraudulent withdrawals for 2019-2021. With resolution 181/2023/R/eel, the Authority completed the procedure begun with resolution 42/2023/R/eel to quantify and recognise for areti “non-recoverable” fraudulent withdrawals identified, for 2019-2021, of an exceptional amount with respect to the levels conventionally identified in the context of balancing grid loss. CSEA will need to pay areti the amount of € 1,139,448 in the first useful balancing session, without prejudice to the possibility of updates in the 5 subsequent years due to adjustments made to the metering figures

The Authority published **resolution 117/2022/R/eel**, which fine-tuned the regulations for adjusting electricity losses on transmission and distribution grids for 2022-2023, confirming the desire anticipated in DCO 602/2021/221 of establishing a process to improve the efficiency of commercial losses but, however, making them more precautionary, with a 4% reduction for 2022 and 2023, bringing the percentages to:

- 1.77% in the Centre zone for 2022;
- 1.72% in the Centre zone for 2023.

A price control mechanism is introduced; this is to be used to determine the loss delta in each of the two years and, for only 2022, it provides for a guarantee clause to protect distributor companies which recognises an equalisation equal to the maximum between zero and the result that would be obtained using the conventional percentage loss factors applied for the three years 2019-2021, if the total economic result equal to the difference between the equalisation balance and the revenues obtained from the tariff regulation of the reactive energy pursuant to paragraph 24.2 of the TIT is positive (net debt position).

The Authority also extends the mechanism for recognising “non-recoverable” fraudulent withdrawals also to the years 2022 and 2023. The conventional percentage standard loss factor to be applied to the electricity withdrawn at the withdrawal points on the low voltage grids is finally set, starting from 1 January 2023, at 10%.

Continuity of the service

With the Integrated Text on output-based regulation in force from 1 January 2020, the Authority introduced the possibility for the DSOs to present regulatory experiments to improve the service quality in particularly critical contexts. A specific feature of these experiments is the suspension of the penalties for the experimental period and their non-retroactive application if the target levels for the indicators of number and duration of interruptions without notice, set by the current regulations, are achieved.

In this context, areti presented its proposal, outlining a process for improving the technical quality indicators different from that defined by the ordinary regulation. This proposal was approved by the Authority with Determination 20/2020 of 20 November 2020.

Very briefly, the measure postpones to 2024 the calculation of the bonuses and penalties for the entire four-year period 2020-2023 and provides for the activation of an additional bonus mechanism if the target proposed at 2023 is achieved and the effective annual levels achieved are better than those proposed in the experimentation. Two specifications:

- the total bonus obtained cannot be more than that achievable in the ordinary regulation;
- in the event of non-achievement of the improvement commitment indicated, areti must pay any penalties that it would have incurred in the four-year period, in the absence of an extension.

Energy efficiency certificates and tariff contribution awarded to distributors

On 14 July 2020, Resolution 270/2020/R/efr was published; this contained the new rules for defining the tariff contribution to cover the costs incurred by DSOs with regard to obligations arising from the mechanism of energy efficiency certificates. The measure confirms the value of the cap on the tariff contribution of € 250/EEC and introduces, starting from the current obligation year, a consideration additional to this contribution, to be awarded to each distributor for each EEC used to comply with its obligations. On the one hand, ARERA repeats that it considers the cap an instrument necessary to limit the changes in market prices, on the other, it considers opportune to provide for an additional consideration in support of distributors in the light of the economic losses that they are forced to incur owing to the scarcity of EECs available. On 13 October 2020 the Company presented an appeal for cancellation of the resolution.

The resolution, in addition, introduced the possibility of requesting from CSEA the extraordinary consideration in advance of 18% of the specific target for the 2019 obligation year, in order to finance distributors which having already acquired EECs at the beginning of the period, then suffered the negative effects of the extensions of the end date of the obligation year laid down in the Italian Relaunch Law Decree (30 November 2020). areti submitted an application on 31 August 2020.

In December 2020, Resolution 550/2020/R/efr confirmed the value of 250 €/EEC for the tariff contribution awarded for the 2019 obligation year and fixed at 4.49 €/EEC the value of the additional consideration.

On 31 May 2021, the Decree of the Ministry for the Ecological Transition was published in the Official Gazette, containing the “Determination of national energy saving targets that could be pursued by electricity and gas distribution companies for 2021-2024 (so-called white certificates)”. The Decree extended the expiry of the obligation year 2020 to 16 July 2021, and the Authority subsequently published Determination 6/2021-DMRT, whereby it determined the primary energy saving obligations for electricity and natural gas distributors for the obligation year 2020, setting a target obligation of 54,848 white certificates.

On 3 August 2021, the Authority issued Resolution **358/2021/R/efr**, with which it confirmed the cap at 250 €/EEC and the additional unit fee at 10 €/EEC. In view of the extension of the deadline for the 2020 obligation year to 16 July 2021 and the regulatory uncertainty still existing in the run up to this deadline, the Authority published Resolution **547/2021/R/efr** in which it confirmed its intentions stated in DCO **359/2021/R/efr**. In particular, the Authority established that electricity and natural gas distributors will be granted an exceptional additional component of 7.26 €/EEC for each certificate delivered at the end of the 2020 obligation year, applicable to their own specific target for that obligation year and to any remaining portions of the targets for the 2018 and 2019 obligation years, but not beyond the threshold of their own updated specific target. The exceptional component was envisaged to cover the extra costs incurred by operators for the difficulties in procuring the EEC needed for the upcoming target deadlines. The Authority published determination **16/2021 – DMRT** with which it defined the 2021 EEC obligation for the Company, totalling 16,580 EECs, as well as determination **7/2022 – DMRT** which defines the 2022 EEC obligation, totalling 27,881 EECs.

Examination of the financial items relating to electricity destined for the states enclaved in the Italian state

Pursuant to resolution **58/2019/E/eel**, the Authority initiated a fact-finding investigation in relation to Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for the enclaved states.

In accordance with this Resolution and pending the conclusion of the aforementioned investigation, the Authority has specified to the CSEA that it should proceed on a transitional basis and subject to adjustment with the equalisation of the costs incurred by Acea Energia for 2017 for the purchase and dispatching of electricity intended for standard-offer-market customers.

With Resolution **180/2019/C/eel**, the Authority decided to challenge the extraordinary appeal brought by the Azienda Autonoma di Stato per i Servizi Pubblici della Repubblica di San Marino for the annulment of Resolution **670/2018/R/eel** (which updated the transmission tariffs for the year 2019) and Resolution **58/2019/R/eel**.

Pending the conclusion of the investigation, the Authority asked CSEA – on a temporary basis and subject to adjustment – to suspend any disbursements relating to the equalisation of the costs incurred by Acea Energia for 2018 for the purchase and dispatching of electricity intended for standard-offer-market customers.

With Resolution **491/2019/E/eel**, the Authority closed the preliminary investigation by instructing Acea Energia and areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution **491/2019/E/eel**, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals by the enclaved states by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result of this, with subsequent Determination **5/2020/eel**, ARERA initiated two sanction proceedings against Acea Energia and areti, respectively. On 12 June 2020, Acea Energia sent ARERA its proposal of commitments, including waiver of the amount receivable accrued in relation to the system, payment of compensation to ARERA and the obligation to send two-monthly reporting for a period of ten years. With Resolution **262/2021**, ARERA partially amended the methods for carrying out the recalculation activities indicated in Resolution **491/2019** and CSEA then sent the definitive recalculations to Acea Energia on 12 July 2021. Subsequently, the Authority published its resolution **150/2022/S/eel** with which it provisionally accepted the proposal of commitments submitted by Acea Energia. With Resolution **576/2021** ARERA amended the regulation concerning the financial items relating to electricity destined for the enclaved states, with the aim of bringing it into line with the principles of national regulation. In particular, the Authority intervened on transmission and transport fees, on dispatching and on the regulation of imbalances.

On 1 August 2022, resolution **354/2022** was published, definitively accepting the commitments presented by Acea Energia and for which compliance is mandatory by 31 October 2022. Acea Energia fulfilled its commitments by the indicated date and sent a report to the Authority by 30 November 2022.

Environmental Regulation

Following consultation document 351/2019, on 31 October 2019 ARERA approved Resolution 443/19 containing the first integrated waste management service tariff method 2018-2021.

With reference to the WTM – Waste Tariff Method, the new rules define TARI fees to be applied to users in 2020-2021, the criteria for the costs recognised in the current two-year period 2018-2019 and the reporting obligations.

As in other sectors subject to regulation, the new waste tariff method refers to ex-post data referring to certain accounting sources (financial statements) for the year Y-2 and applied to year Y (including indications of adjustments that permeate the entire algebraic structure of the method) and no longer to forecast data.

The new ARERA method applies a hybrid approach, borrowed from other service regulations like electricity and gas, with a different treatment of capital costs and operating costs. Namely:

- Capital costs recognised according to a regulation scheme of the rate-of-return type;
- Operating costs with the application of incentive regulation schemes and the definition of efficiency targets on a multi-annual basis.

Furthermore, as already anticipated in the consultations, the method calls for tariff limits to revenue growth in addition to the introduction of four different schemes that can be adopted by local authorities and operators with respect to the objectives of improving service. More specifically, the method regulates the phases of the integrated waste service as identified: street sweeping

and washing, collection and transport, treatment and recovery, treatment and disposal of municipal waste, tariff management and user relations.

In this first definition of the tariff method, ARERA maintained the algebraic structure of the method established by Italian Presidential Decree 158/1999, including tariff factors corresponding to additional components for the determination of the fees, some of which are as follows:

- Limit to the overall growth of tariff revenues, with the introduction of a limit factor for annual variation that also takes into account efficiency gains and productivity recovery;
- an asymmetric approach that takes into account in the measurement and in the calculations of the single cost components: 1. service improvement objectives established at a local level and 2. the possible extension of the operational perimeter; these parameters determine the positioning of the individual operation within a tariff matrix, as follows;
- Sharing factor in relation to revenues from the sale of material and energy from waste (between 0.3 and 0.6), and in relation to CONAI revenues (between 0.1 and 0.4);
- Introduction of an adjustment component for both variable and fixed costs, defined as the difference between the revenues relating to the variable and/or fixed cost components for the year Y-2 – as redefined by the Authority – compared to the tariff revenues calculated for the year Y-2. In the recognition of 2018-2019 efficient costs, this component is modulated through a coefficient of gradation and provides for the payment for the recovery of any deviations through a number of instalments, up to 4;
- introduction of two different rates of return on net invested capital (WACC) for the service of the integrated waste cycle and a differentiated rate of return for the enhancement of current assets. Regarding the WACC of the integrated waste cycle for the period 2020-2021, it is defined as 6.3%. To this value is added a 1% increase to cover the costs arising from the time lag between the year of recognition of investments (Y-2) and the year of tariff recognition (Y), known as the time lag.

In order to take account of the different initial territorial conditions, as previously with the water sector, the Regulator has introduced a methodology that defines the criteria for the quantification of tariffs within an asymmetrical regulation, where there are four different types of tariff schemes under which each competent entity can identify the most effective solution depending on its objectives of quality improvement and management development currently applicable to operators in the first part of the integrated waste service chain, in particular to the phases of sweeping and washing roads and collection and transport.

The EFP (Economic and Financial Plan) remains the tool of reference for the development of the integrated cycle and for the calculation of TARI tariffs and is prepared by the “integrated waste system operator”, where it is also the Municipality, while “the operators who manage parts of the supply chain make their data available to those who prepare the EFP for the correct elaboration of the entire Plan”.

With regard to the Integrated Text TITR - 444/2019/R/RIF - Provisions on transparency in the management of urban and similar waste, it is specified that this text defines the provisions on transparency of the management of urban and similar waste for the regulatory period 1 April 2020 - 31 December 2023. The scope of the intervention includes the minimum information to be made available by the integrated cycle manager through websites, the minimum information to be included in collection documents (payment notice or bill) and individual communications to users concerning significant changes in operations.

With Resolution **138/21**, ARERA started the procedure for updating the WTM (the “WTM-2”), which will be effective from 2022 and in which also establishes the methodology for defining the so-called “gate tariffs”, which will have a direct impact on the operation of some of the Company’s plants.

With Determination **01/DRIF/2021**, the Authority began collecting data on treatment plants in the unseparated waste chain (D10 and R1 incinerators, mechanical/mechanical-biological treatment, and landfills). The Company duly responded within the required deadline.

Consultation Document 196/21 was then published regarding gate tariffs, clarifying the regulatory scope envisaged by the Authority: ARERA is currently inclined towards including all the plants that manage urban waste, with the exception of those that are “connected with recycling chains, focused on materials recovery, managed by chain consortia (funded by contributions from member companies) or by other entities, and with whom municipalities may sign specific agreements to cover the charges incurred for separate waste collection.

With resolution **363/2021/R/RIF**, the Authority approved the new Waste Tariff Method (MTR-2) containing the method for determining tariff revenues for delivery of the integrated urban waste management service, or the individual services that constitute it (such as the recovery/disposal service, carried out directly by the Company), applicable to the years 2022-2025. In this context, the establishment of the criteria for the determination of treatment plant access tariffs, but only for plants identified as “minimum plants” in the context of area planning. Managers of these minimum plants must, therefore, prepare the Economic Financial Plan for 2022-2025 in line with the indications found in the aforementioned MTR-2 and, pursuant to article 7 of resolution 363/2021/R/RIF, send them to the relevant bodies for validation; these latter then send them to ARERA for verification of regulatory consistency with the documents and subsequent approval of the tariffs. Plants not classified as “minimum” (known as “additional”) are instead subject to regulations regarding transparency of operating information.

Resolution **459/2021/R/RIF** subsequently completed the tariff regulatory framework, containing the values of parameters to determine capital use costs (i.e. planned inflation rate and the vector expressing the deflator for gross fixed investments for the MTR-2 period of application), as well as resolution **68/2022/R/RIF** which established, for managers providing processing activities in a non-integrated form, a WACC value of 6%.

With determination **01/DRIF/2022** of 22 April 2022, ARERA approved the basic schemes for the documents making up the tariff proposal that managers of “minimum” plants submit to the relevant bodies, consisting of the GBOTAs or the Region. In particular, reference is made to the EFP and the Report accompanying the same.

In 2022, following the sector scheduling documents published by the relevant bodies, in application of the ARERA regulations pursuant to resolution 363/2021/R/RIF, Acea Ambiente implemented preparatory activities to comply with regulatory activities for plants classified as “minimum” and, subsequently, sent the documents required under Determination 01/DRIF/2022.

Also note other activities carried out by ARERA:

- with consultation document **611/2022/R/RIF** the introduction of equalisation systems was proposed in the waste sector, in particular associated with respect for the waste hierarchy (and recovery of accidentally fished waste); with this mechanism, which is pass-through for plant managers, an economic incentive would be applied for deliveries with respect to recovery of materials or energies, supported by penalties applied to deliveries to landfills;
- with Resolution **413/2022/R/RIF** a proceeding was launched, also envisaged in the 2022 Competition Law, to define adequate technical and quality standards to carry out disposal and recovery activities. Subsequently, with Resolution 732/2022/R/RIF, the proceeding was combined with the one launched with Resolution 364/2021/R/RIF (to determine efficient costs for separate waste collection, transport, sorting and other preliminary operations) and extended to 30 June 2023;
- with consultation document 643/2022/R/RIF, published as part of the procedure began with resolution 362/2020/R/RIF, the initial guidelines were issued for the preparation of a basic service contract scheme to govern relations between awarding entities and managers of urban waste management services.

On 24 and 27 February, decisions **486/2023** and **501/2023** were respectively published, and on 6 March 2023, decision **557/2023**, with which the Regional Administrative Court of Lombardy, Milan, First Section, in part annulled resolution 363/2021/R/RIF. Specifically, the Regional Administrative Court found that ARERA’s identification of “minimum” plants fell outside of the government’s area of responsibility, consequently granting Regions powers not due to them and inverting the proper direction of the scheduling process.

On 7 March 2023, ARERA published resolution **91/2023/C/RIF** providing information on its appeal made to the Council of State, requesting precautionary suspension of the decisions of the Regional Administrative Court of Lombardy, in that in the Authority’s opinion, “*the referenced decisions [...] are based on an erroneous interpretation of the relevant factual and legal elements*”. The Council of State rejected this precautionary suspension request. The hearing on the merits has been set for 7 November.

Finally, in consultation document **275/2023/R/RIF**, in the context of the procedure begun with resolution 62/2023/R/RIF, the Authority provided guidance for the 2024-2025 biennial update for the waste tariff method (MTR-2). In particular, the Authority confirmed its desire to not submit to the referenced Lombardy Regional Administrative Court decisions and proposed updates to the main economic parameters, above all the inflation rate. The final resolution is expected by 31 July.

As far as the publication of the four European directives is concerned, they provide for amendments to six European directives on waste, namely:

- Directive 2018/851/EU, amending the so-called mother directive on waste 2008/98/EC;
- Directive 2018/850/EU, amending the landfill directive 1999/31/EC;
- Directive 2018/852/EU, amending the packaging directive 94/62/EC;
- Directive 2018/849/EU, amending the directive on end-of-life vehicles 2000/53/EC, the directive on batteries and storage 2006/66/EC and the directive on waste electrical and electronic equipment, the so-called WEEE 2012/19/EU.

In short, the primary new development that these measures bring to environmental legislation concerns the percentages of separate collection to be achieved in the coming years, in particular up to 2035 (though establishing intermediate steps from 2020 to 2030 and from 2030 to 2035), namely:

- urban solid waste: the target is to recycle at least 65% by 2035, with intermediate stages of 55% by 2025 and 60% by 2030;
- packaging: the goal is to recycle at least 65% by 2025 and 70% by 2030;
- landfills: the objective is to limit the entry of waste into landfills to a maximum of 10% by 2035. To this end, Member States must endeavour to ensure that by 2030 all waste suitable for recovery or recycling – in particular municipal waste – is not landfilled, with the exception of waste for which landfilling is the best environmental option. On the subject of landfills, the introduction of article 15-ter to the 1999 directive established that the Commission shall adopt implementing acts to determine the method to be used to determine the permeability coefficient of landfills locally and throughout the area. And the introduction of article 15-quater confers on the Commission the task of adopting implementing acts to develop a criterion for waste sampling (until the concrete enactment of this new method, Member States use the national systems currently in place);
- separate collection of household waste: important changes are foreseen for the separate collection of household waste, such as textile waste, organic waste and hazardous household waste, not always collected separately at this time;
- waste prevention measures: the directives state explicitly that Member States must take a series of measures to prevent the production of waste upstream, such as domestic composting and the use of materials obtained from organic waste, to encourage the production and marketing of goods and components suitable for multiple use, and to provide financial incentives to encourage such virtuous behaviour.

These targets may be revised in 2024 (especially in view of the fact that they are considered excessively ambitious for some States that, for example, currently frequently use landfills). In this sense, the legislature therefore stated that, recognising the significant differences in treatment between different States, it will be possible to grant an extension up to a maximum of 5 years for States that in 2013 prepared for reuse and recycled less than 20% of urban waste or landfilled more than 60% of urban waste).

In compliance with the above European Delegation Act, the following acts have been approved: Legislative Decree 116/2020 on waste and packaging, Legislative Decree 118/2020 on waste batteries and accumulators (RPA) and waste electrical and electronic equipment (WEEE), Legislative Decree 119/2020 on end-of-life vehicles and Legislative Decree 121/2020 on landfills.

Finally, the rewording of article 6 of Directive 98/2008/EC on the cessation of the qualification of waste (End of Waste) deserves a brief comment. In particular, with the new amending resolution, the European law requires Member States to take appropriate measures to ensure that where a substance or article meets the requirements for End of Waste it cannot be classified as waste.

More specifically, having regard to the competence of the European Commission to define the general criteria for the uniform application of End of Waste conditions, it is established that if the latter does not do so for certain types of waste, Member States may establish detailed EoW criteria for certain types of waste that must take into account all the substance's or object's possible adverse effects on the environment and human health and meet the EoW requirements of the directive. Such decisions must be notified to the Commission by the Member State.

Moreover, the same resolution also states that Member States may decide on a case-by-case basis or take appropriate measures to verify that certain wastes have ceased to be such under the conditions set out in the directive, where necessary reflecting the EU EoW criteria and taking into account limit values for pollutants and all possible adverse effects on the environment and human health. Such decisions taken on a case-by-case basis need not be notified to the Commission.

Finally, on the subject of EoW, note the amendment approved on 6 June 2019 and included in the Reopen Building Sites Decree (Decree Law 32/2019, converted with Law 1248). In particular, the rule establishes that pending the adoption of one or more decrees containing the EoW criteria for specific types of waste, ordinary permits for waste recovery plants must be granted on the basis of the criteria indicated in the measures governing simplified waste recovery (Ministerial Decree 5 February 1998, Ministerial Decree 161/2002 and Ministerial Decree 269/2005) "for the parameters indicated therein, for the parameters relating to the type, origin and characteristics of waste, recovery activity and characteristics of what is obtained from these activities". Ordinary permits must, on the other hand, identify the necessary conditions and requirements "regarding the quantities of waste admissible to the facility and to be subjected to recovery operations".

The Ministry of the Environment (now the Ministry for the Ecological Transition) is authorised to issue specific guidelines "by decree not of a regulatory nature" for the uniform application of the regulations throughout the country.

Scenario of reference for ESG (environmental, social, governance) aspects

Sustainable development

The war in progress in Ukraine has once again demonstrated the interconnectedness of the global situation, with effects felt throughout the world. In the energy arena, as is well known, extreme consequences were seen due to the block in supplies, which provided a push to reopen plants utilising polluting energy sources. The European Union reacted with the REPower EU plan, with the aim of reducing dependence on fossil fuels coming from abroad and accelerating the green transition.

In terms of climate, data from the EU Copernicus observatory saw extreme climate events, record temperatures and rising greenhouse gases globally. In Europe, continuing high temperatures aggravated water issues, with repercussions for agriculture, river transport and energy management. Extreme drought conditions also led to an increased risk of fires, which led to an unusually high number of episodes in southwest Europe.

The global and national institutional initiatives implemented should be viewed and evaluated in this context. COP27 on the climate, held in Egypt, and COP15 on biodiversity, in Montreal, had objectives which included expanded protected areas and regenerating damaged ecosystems (30% by 2030). Domestically, note the constitutional reform of articles 9 and 41 and the National Climate Change Adaptation Plan.

Last year, Europe adopted certain specifications and significant provisions with regards to corporate sustainability. The Corporate Sustainability Reporting Directive was in fact published in the EU Official Journal, an update of the Non-Financial Reporting Directive of 2014, which expands the range of companies subject to reporting requirements and introducing significant changes, for example double materiality, preparation of new standards and the inclusion of a disclosure in the Report on Operations. Institutional work on the Directive continued relative to corporate due diligence requirements on environmental protection and human rights within the value chain, which in December 2022 led the EU Council to adopt guidelines on the subject. In the context of Regulation 2020/852 (European Taxonomy), in 2022 the Commission, in the Complementary Delegated Act, amended the Delegated Act on the Climate, introducing activities and associated technical criteria for energy generation, starting with nuclear and natural gas, and increasing the number of potentially environmentally sustainable activities in relation to which companies are asked to determine their eligibility and alignment, as well as identifying correlated economic KPI.

Standards in the reference markets at a local, national and supra-national level

The regulatory context of the Acea Group is wide-ranging and articulated according to the specificity of the businesses handled and the variety of the frameworks within which the legal and regulatory disciplines intervene, which affect the business operations, from administrative authorisation profiles to those protecting the market and competition. Added to such aspects are the specific features of being a listed Company, with the related legal impacts, for example, in terms of regulating communications to the market.

The various provisions (Decree Law 21/2022 - "Price Cuts Decree Law"; Decree Law 50/2022 "Aid Decree Law"; 2023 Budget Law) thereby governed the solidarity contributions mechanism borne by entities in the energy sector to limit the effects of high prices for businesses and consumers are also framed in this way.

Also associated with the extraordinary energy situation and significant for its impacts on energy companies, are the provisions on excess profits and suspension of unilateral changes to electricity and gas supply contracts. Relative to the former, Decree Law 4/2022, "Supports-ter Decree Law" established compensation mechanisms for producers using renewable sources which, under certain conditions, can lead to excess profits to be paid to the GSE; relative to the latter, Decree Law 115/2022, "Aid-bis Decree Law" called for companies to halt unilateral changes to energy supply contracts with regards to definition of prices, and the subsequent Decree Law 198/2022, "Thousand Extensions Decree Law" extended the period of validity (30 June), excluding application for expiring contracts.

In 2022, consultation for implementation of Directive (EU) 2020/2184 was requested, on the quality of water destined for human consumption, following which the Council of Ministers in December approved the preliminary examination the Legislative Decree for implementation. Important changes include the revision of regulations intended to protect human health from negative effects deriving from contamination of water intended for human consumption, guaranteeing “health and cleanliness”, also through revision of the relevant parameters and values, definition of hygiene requirements for materials coming into contact with potable water, the introduction of a risk measurement and management approach that is more effective in terms of preventive health, environmental protection and control over water intended for human consumption, also with regard to costs and allocation of resources, strengthening the role of the Water Safety Plans (WSP), and improvement of equitable access for all to safe potable water and public information on water intended for human consumption.

In 2022, the delegated law on restructuring regulations for local public services was implemented with Legislative Decree 201/2022, which restructured the regulations, included among the objectives of the National Recovery and Resilience Plan (NRRP), to promote competitive dynamics that help improve the quality of public services and the results of management in the interest of citizens and users.

Also worthy of note is the preliminary approval on 16 December 2022 by the Council of Ministers of the Legislative Decree scheme to renew the Public Contract Code, intended to simplify regulations relative to public tenders and concessions to ensure efficient realisation of the same. The Code will apply to new proceedings starting on 1 April 2023. From 1 July 2023, abrogation of the previous Code is envisaged (Legislative Decree 50 of 18 April 2016) and application of the new norms, also for proceedings in progress.

Environmental and energy impacts

The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.

In November 2022, COP27 was held in Sharm el-Sheikh. Negotiations were focussed on five themes: decarbonisation, climate adaptation, nature, food and water. The Conference ended with the issuing of the Sharm el-Sheikh Implementation Plan. This agreement maintains that ratified in the Glasgow Climate Pact (COP26), which included the commitment by signatory countries to keep global temperatures below an increase of 1.5°C with respect to pre-industrial levels and highlighted the need for a transition to a system based on renewable sources, with a reduction in the use of fossil fuels. Efforts to gradually eliminate coal were encouraged, favouring low-emission sources and promoting the elimination of fossil fuel subsidies. At the national level (Nationally Determined Contributions - NDC), countries which have not yet presented their decarbonisation commitments were encouraged to do so, while those that already have were asked to update them by the end of 2023. The main change involves the introduction of the “loss and damage” principle, which calls for the payment of indemnities to the most vulnerable developing countries for climate damage suffered. This principle will be implemented through the establishment of a specific Fund.

With respect to the issue of greenhouse gas emissions, Acea will participate in the Carbon Disclosure Project (CDP) again in 2023. In fact, Acea has been completing the CDP Climate Questionnaire for many years and in 2022 received an assessment of “B”, placing Acea in the Management class. In 2022, in addition to publishing its first 2021 Climate Disclosure, based on the TCFD recommendations, Acea moved forward with a new project intended to enrich the identification of risks and medium/long-term climate scenario analysis.

Climate change

Sensitivity to the evolution of climate change and its effects on the businesses managed is a well-established theme at international level, which is also reflected in a greater demand for information in the annual financial report. Although there is no international accounting standard governing how the impacts of climate change are to be considered in the preparation of financial statements, the IASB has issued certain documents to support IFRS-adopters in meeting this stakeholder disclosure requirement. Similarly, ESMA, in its European Common Enforcement Priorities, highlighted that issuers must consider climate risks in the preparation of IFRS financial statements to the extent that they are significant regardless of whether or not these risks are explicitly provided for in the relevant accounting standards.

The Acea Group describes its considerations on actions associated with mitigation of climate change effects, as well as adaptation to climate change in its non-financial statement (prepared in compliance with the GRI Standard which also includes the information called for under Regulation 2020/852 in relation to the two climate objectives mitigation and adaptation). In this context, considering the sectors of activity in which the Group operates through its investees, the Acea Group, in continuing to define updated future plans that are currently being developed and prepared, has identified certain risks arising from the current process of mitigation and adaptation. With reference to the short term, the management does not detect any significant specific impacts deriving from climate-related risks, to be considered in the application of the accounting standards. In all the relevant sectors of activity, the Group pursues excellence in service provision; this entails an ongoing commitment to the development of adequate infrastructures and the evolution of their management, with the application of technological innovation and digitalisation, as well as the preservation and protection of water resources, the development of electricity generation capacity from renewable sources, the energy efficiency of production processes, the pursuit of a circular economy approach and the implementation of controls on commodities supplied to customers.

With reference to the medium/long term, the management, while continuing to define updated development plans which are currently being prepared, does not foresee any further specific considerations to be taken into account in the application of the accounting standards for the preparation of the financial statements.

It should be noted that the assessment and, more specifically, the quantification of climate-related risks requires the application of climate scenario analyses — an activity that the Group has launched, publishing its Acea Group Climate Disclosure 2021 in June 2022, based on the TCFD recommendations. However, it is also exposed to assumptions about highly uncertain future developments, such

as future technological developments, government actions, regulatory initiatives or even developments in international political balances.

For the principal sectors in which the Group operates, actions to contain risks linked to climate change have been made concrete through investments in infrastructure to prevent and/or mitigate the impacts arising primarily from physical risks.

Management has assessed that these investments do not reduce or modify the expectation of the economic benefits associated with the use of the assets recorded under tangible fixed assets, as they have regulatory relevance and are therefore subject to specific reimbursement mechanisms. Therefore, a critical review of the useful life of fixed assets on the balance sheet was not necessary.

With specific reference to the sale of commodities, the Group monitors the useful life of the customer base and the related accounting assessments as a potential effect of reputational risk.

With reference to the existence of risks of asset impairment, management has considered that, although actions to mitigate/adapt to climate risk entail the need to plan maintenance/evolution of plants in order to guarantee the quality of service, the safety of managed assets and the maintenance of their performance - these activities are in any case considered within the scope of the cash flow forecast used as the basis for determining value in use.

Finally, it is highlighted that legislation introduced in response to climate change could result in new obligations that did not previously exist.

Trends in raw material purchase costs along with hedging derivatives require a careful policy of monitoring requirements and price hedging. Trends in the cost of commodities as a result of the effects of climate change could make certain sales contracts costly. In addition, the unavailability of commodities could make cash flow hedges from highly probable future transactions ineffective.

Finally, with particular reference to regulated sectors, the presence of chronic physical risks could lead to a reduction in service quality resulting in liabilities for penalties.

The Russia-Ukraine War

The conflict between Russia and Ukraine has generated serious repercussions not only at the humanitarian level, but also at the economic level, with a considerable impact on the global financial markets. The consequent sanctions imposed by governments all over the world on the Russian economy and the countermeasures adopted by Russia contributed to the strong upward pressure on raw material prices (with particular reference to energy, metals and agricultural products) and the significant difficulties in trade activities at the international level. Despite continued uncertainties, prices of raw materials appear to have more or less stabilised in the first half of 2023, following the significant growth in 2022. Trends on energy markets saw wholesale gas prices down notably during the current quarter, thanks to ample supply with respect to demand, allowing Europe inventory levels to arrive at over 70% of capacity. Nonetheless, prices ceased to fall in June, in part due to problems associated with the unavailability of production infrastructure in Norway. In the summer quarter, despite a lack of particular tensions on the European market, increased temperatures and the consequent increase in demand could lead to a new increase in prices, above all if LNG demand from the two main Asian importers (China and Japan) shows signs of strong recovery.

It should be remembered that the ESMA Public Statement of 28 October 2022 deals precisely with the effects of the Russian invasion of Ukraine on 2022 financial statements prepared following the standard IAS34. The Statement therefore has the objective of providing to the administrative and control bodies of regulated companies a series of recommendations on the process of producing the accounting disclosure, with particular emphasis on the controls necessary to check for any impairment (*impairment tests*) of non-financial assets.

The Statement stresses that the change of strategic, commercial and financial approach of companies following the conflict increased considerably the risk of significant impacts on the carrying amount of balance sheet assets and liabilities. The Statement therefore suggests reviewing and possibly updating the considerations made for the year-end financial statements, in particular the assumptions and the hypotheses on which the calculation of the prospective flows is based and the other elements that contribute to the estimate of the recoverable value.

The ESMA then recalls that in order to assess the existence of possible indications of impairment of non-financial assets included in the scope of IAS 36 (Impairment Testing), it is necessary to consider all the information sources, of both an external and an internal nature, to assess whether the effects of the invasion of Ukraine by Russia represent possible indications of impairment of the said assets. The Statement also stresses that the considerable increase in the general level of uncertainty caused by the conflict requires a careful assessment (in the context of estimating the recoverable value using the Value in Use method) of the forecast financial data used. To this end, the ESMA believes that, according to the type of asset to be tested and the related level of risk, it may be necessary to develop multiple scenarios around the forecast data considered, supported by reasonable and realistic parameters and estimation inputs. Again in this sense, there must in any case be consistency between the forecast data used and the assumptions associated with the same for the value checks, and between the choices and strategic plans formulated by companies following the conflict.

With reference to the discount rate used for the estimate of the recoverable value, the Statement stresses and recalls that the same must reflect the current market conditions and the specific risk characteristics associated with the specific assets subject to impairment tests (excluding the risk of assets already reflected in the forecast flows). The Statement stresses finally that the risks associated with the phenomena of rising market interest rates and the inflation rate could have an impact also on the discount rate to be used for the purpose of estimating the recoverable value of the assets to reflect the said phenomena, unless the said risks are already reflected in the calculation of the forecast flows used.

Development and technological innovation

For Acea, collaborations, partnerships and business systems represent a crucial driver for the positioning and improvement of the Acea Group in the innovation ecosystem, as well as helping to open new channels offering access to ideas, business and technological opportunities, academic research and new talent.

Acea participates in numerous partnerships and cooperative agreements linked to innovation; in fact, for several years the Group has actively participated in the Italian and international innovation ecosystem, sharing best practices and experiences.

Note to that end, the partnership with **InnovUp** (formerly Italia Startup), a non-profit that represents the ecosystem of Italian start-ups, including all entities, private and public, that support the development, visibility and growth of the same, to encourage the creation of a new Italian entrepreneurial system, as well as with **SEP** (Startup Europe Partnership), an Open Innovation programme that puts European scale-ups with corporations, and finally with **Open Italy**, a co-innovation programme promoted by ELIS and established to help associated corporations meet their needs through start-ups, innovative SMEs, university spin-offs and research centres.

Development of personnel

For every organisation people represent a fundamental asset to remain competitive in a changing economic and social context. Acea listens to the needs of its people and develops a People Strategy, structured into projects and initiatives.

Every year Acea prepares an Equality & Care Plan that identifies goals and associated projects for diversity and inclusion and corporate welfare. In 2022, Acea was included by the Financial Times and Statista in the special list of “Europe’s Diversity Leaders 2023” and for the second consecutive year received Top Employers Italy Certification, official recognition of the excellence of the company’s HR policies and strategies, and implementation of the same.

Acea has developed an integrated corporate welfare system, based on listening to employees and their needs and structure around six fundamental pillars: health, psycho/physical well-being, family, reconciliation measures, economic assistance and complementary social security. Numerous initiatives have been implemented to support these pillars, including preventive medicine campaigns, support services for psycho/physical well-being and support for parents. These areas are shared with a Bilateral Committee, consisting of representatives from Group companies and the Unions.

As part of its training processes, the Group has established the Acea Business School Academy that provides courses on managerial, position, governance and digital issues, serving the entire group and designed with qualified partners (universities, business schools, research centres, etc.).

Sustainable management of the supply chain

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, ACEA is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that limit environmental impact and foster initiatives aimed at minimising waste, reusing resources and protecting the social aspects involved in the procurement of goods, services and works. In tackling this green procurement issue, Acea has been using the minimum environmental criteria in force for several years, including non-compulsory bonus aspects in its tender procedures.

Acea has always been at the service of the community and the public and therefore puts a high priority on open exchanges with the supply chain to be increasingly efficient in responding to local demands.

The creation of a sustainable chain depends on each company monitoring itself, as well as on agreements between all members in a given chain. Cooperation allows for more transparent and clear relationships, helping to create shared value:

- EcoVadis assessment
- Green purchases
- Reputational due diligence
- Management Systems – Supply Chain Verifications
- Vendor ratings
- Sustainability and safety.

Health and safety in the workplace

Acea carries out constant awareness campaigns on the subject, with the aim of profoundly affecting the widespread dissemination of a culture of safety involving all its people. It has implemented an advanced risk assessment model, not to mention control and mitigation measures. Acea has also launched a number of initiatives to raise awareness of and involvement in the issues discussed above with its contractors and sub-contractors, key business partners throughout the entire value chain.

Safety seen as strategy, and not only as compliance, is based on the possibility of measuring and monitoring the results in a managerial approach. In the context of the process of continuous improvement that it has undertaken, oriented to the prevention and reduction of injuries, Acea provides all its people with a valid and effective instrument for the purposes of active participation in analysing the trend of indicators; this aspect is often considered a measure of the level of maturity of the culture of safety and the culture of improvement in an organisation. Improvement actions based on the realisation that there are margins to pursue (for example actions to reduce the proportion of some types of injury) and consolidation actions (for example maintaining positive results, growing organisational resilience), represent the natural process of continual improvement in the field of workplace health and safety.

Trend of Operating segments

Economic results by segment

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the financial years compared in observance of IFRS 8 accounting standards.

€ million 30/06/2023	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	167	1,232	49	728	74	286	28	0	314	61	69	(386)	2,309
Costs	125	1,177	31	375	43	101	27	0	128	58	88	(386)	1,639
EBITDA	42	55	19	353	31	185	1	0	186	3	(19)	0	670
Depreciation/amortisation and impairment losses	28	34	8	200	10	71	1	0	72	4	15	0	370
Operating profit/(loss)	15	21	11	153	21	114	0	0	114	(1)	(34)	0	300
Capex	18	24	2	337	25	128	1	0	129	2	10	0	548

The revenue in the above table includes the condensed result of equity investments (of a non-financial nature) consolidated using the equity method. The Water Segment also includes the financial statements of companies in the gas distribution segment and the newly consolidated ASM Terni.

€ million 30/06/2022	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Energy Infrastructure	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	172	1,341	44	678	92	280	24	0	304	58	70	(395)	2,364
Costs	114	1,302	29	325	40	99	25	0	123	53	91	(395)	1,681
EBITDA	58	38	15	354	52	182	0	0	181	5	(21)	0	682
Depreciation/amortisation and impairment losses	20	32	6	181	9	66	1	0	67	4	15	0	334
Operating profit/(loss)	38	7	9	173	43	115	(1)	0	114	1	(36)	0	348
Capex	18	21	2	260	19	135	1	0	136	2	13	0	470

Operating Segments

ACEA's macro structure is organised in corporate function and seven operating segments: Water, Energy Infrastructure, Generation, Commercial and Trading, Environment, Overseas and Engineering and Services.



Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
WTE conferment	KTon	194	199	(5)	(2.4%)
MBT Waste and Landfill	KTon	211	194	17	8.8%
Conferments to composting plants	KTon	103	88	15	17.0%
Conferments to Selection Plants	KTon	172	128	44	33.9%
Intermediated waste	KTon	83	83	1	0.8%
Liquids treated at Plants	KTon	178	178	0	0.2%
WTE Net electricity sold	GWh	144	152	(9)	(5.9%)

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	166.9	171.9	(5.0)	(2.9%)
Costs	124.5	113.6	10.9	9.6%
EBITDA	42.4	58.3	(15.9)	(27.2%)
Operating profit/(loss)	14.9	38.4	(23.5)	(61.3%)
Average Workforce	882	778	104	13.4%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	18.3	46.2	(27.9)	(60.4%)	18.5	(0.2)	(0.9%)
Net Financial Position	428.4	351.5	76.9	21.9%	335.5	92.9	27.7%

EBITDA € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Environment Segment	42.4	58.3	(15.9)	(27.2%)
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	6.3%	8.5%	(2.2 p.p.)	

The Environment Segment ended the first half of 2023 with a EBITDA level of € 42.4 million, down by € 15.9 million (-27.2% compared to the same period of the previous fiscal year). The decrease seen is attributable to the combined effect of the reduction in **Acea Ambiente's** margin (- € 22.2 million net of the Polo Cirsu business unit acquired at the end of 2022), in part due to the recognition in the first half of 2022 of revenues deriving from the sale of CO2 rights following resolution 66/22 with which the National Committee to manage Directive 2003/87/EC and to support management of the activities for the Kyoto Protocol, ordered with respect to the Terni UL1 Plant, exonerating it from the requirement to purchase CO2 rights, effective retroactively to 1 January 2021, with the consequence that the EUA rights relative to 2021 were sold for a total of € 11.1 million and in part due to lower margins on Compost/Orvieto (- € 4.8) and greater disposal and maintenance costs for WTE plants (- € 5.1 million).

This reduction was offset by the increase in **Demap's** margin (+ € 1.7 million), which in the first months of 2022, was affected by the shutdown following the fire at the end of 2021. This change was also impacted by the change in scope (+ € 7.0 million), following the consolidation of **Tecnoservizi** (+ € 1.6 million) and the Polo Cirsu business unit, acquired from Acea Ambiente (+ € 5.4 million).

The average number of employees at 30 June 2023 was 882, an increase of 104 employees compared with 30 June 2022, due mainly to the change in the scope of consolidation (+ 85 employees).

Segment investments came out at € 18.3 million (- € 0.2 million compared to 30 June 2022) and refer mainly to the investments made by **Acea Ambiente** (€ 9.8 million) for system improvements carried out at the San Vittore and Monterotondo Marittimo plants, the WTE plant in Terni and **AS Recycling** (€ 3.7 million), related to the construction of the plastic SRF recycling plant in Borgorose and by Cavallari (€ 1,0 milion).

The net financial position amounted to € 428.4 million, up compared to 31 December 2022 by € 76.9 million and by € 92.9 million compared to 30 June 2022. The changes are mainly attributable to the effects of M&A operations carried out by **Acea Ambiente** relative to the acquisition of a 35% stake in Deco (+ € 34.0 million), as well as operating cash flow dynamics.

Significant and subsequent events

Terni (UL1): throughout the first half of 2023, the contractual planning for the delivery of pulper waste guaranteed the fuel requirements for the entire period. With Resolution no. 66/22 of 24 March 2022, the National Committee for Management of Derivative 2003/87/EC and for support in the management of the project activities of the Kyoto Protocol resolved to revoke the authorisation to emit gas for the plant (authorisation number 1711) with retroactive effectiveness from 1 January 2021. Note that following the review request for renewal of the Integrated Environmental Authorisation, the smoke treatment line needs to be revamped to continue operating the plant after December 2023. The Umbria Region also approved and authorised execution of projects relative to revamping the smoke treatment line, in compliance with the approved project documents.

Paliano (UL2): in execution of the planning authorisation for the demolition of the treatment plant and the buried tanks issued by the Municipality of Anagni, in September 2020, and following the update of the final project authorised by the Municipality of Anagni with Determination no. 1003 of 16 September 2020, on 26 April 2021, the work resumed for the demolition of the treatment plant, the buried tanks and the former mineralised water production building. Demolition of the former treatment plant is complete, with a specific measure for closing the work by the Director of Works on 25 February 2022.

San Vittore del Lazio (UL3): the waste-to-energy plant is destined for the production of electricity from renewable sources, and in particular from SRF (Solid Recovered Fuel) produced by the treatment of urban waste from the territory of the Lazio Region. The San Vittore del Lazio plant is now the only waste-to-energy plant on a regional scale and represents a strategic terminal for the waste chain. During the period, lines 1, 2 and 3 of the plant guaranteed regular operation in terms of operating hours.

Regarding the disposal/recovery of waste produced in the waste-to-energy process, the Company signed, also for the period in question, the related conferment contracts, which guarantee operations of the three lines continuously. Expected performance of the plant during the period in question, both in terms of waste treatment and production of electricity, were affected by adverse weather conditions recorded in the period. Following the presentation on 7 August 2020 of the request for authorisation to build the fourth line, the Region of Lazio issued the following authorisation provisions: (i) E.D. G09041 of 12/07/2022 Positive Environmental Impact Assessment, (ii) E.D. G14621 26/10/2022 Integrated Environmental Authorisation and (iii) E.D. G14844 28/10/2022 Single Regional Authorisation Provision. At present, the tender stage has ended and the award notice is being awaited.

Preparation of documents for the AIA Renewal for the existing lines is underway, for the purposes of complying with BATs for the sector. On 7 June 2023, Acea Ambiente presented a request to the Lazio Region to establish and convene a technical panel for the reclassification of slag from the San Vittore del Lazio production plant from hazardous to non-hazardous. The request is the result of analysis carried out on the slag for the purposes of reclassification, lasting a year and involving an external qualified laboratory, which validates the possibility of classifying this waste as non-hazardous.

With Regional Decree 290 of 12 May 2022 the Lazio Region approved the documentation on PRGR implementation status and the identification of “minimal” and “intermediate” end of cycle plants. The San Vittore del Lazio plant was identified as a “minimal” plant as it has reached its authorised capacity (including, among other things, the Fourth Line). In the light of this, almost all incoming flows will begin to be regulated by the Authority, which will also determine the tariff to apply based on the methods established by ARERA. In compliance with the same, assessments and numerical processing is currently under way to prepare the EFP, which will obviously include preliminary analysis as it is the first year of implementation.

Given the aforementioned classification of this plant as “minimal”, relative to the request sent by the Region of Lazio to managers of these types of plants, in October 2022 the Company prepared and submitted the Economic Financial Plan for 2022-2025.

Subsequently, the Region requested specialised technical support from a consulting company to begin validation of the EFPs and organised an initial meeting for 22 December.

Acea Ambiente sent the Lazio Region and its consultants all the documents called for in the ARERA resolution, with the most recent update on 15 March 2023, given that the Authority wanted to complete the process to approve gate rates, despite the recent rulings issued by the Lombardy Regional Administrative Court. In any case, at the moment a slowdown in activity is clear. Therefore, updates with reference to the same are awaited.

Orvieto Ambiente (UL4): with the Resolution of the Executive Committee of the Umbria Region no. 2 of 5 January 2022– “Regional strategic landfills; need for disposal and technical and operational specifications for their rational use. Guidelines while awaiting the approval of the Integrated Waste Management Plan” it was laid down that, given a maximum total volume foreseen for expansion of the three regional landfills, the Orvieto Landfill is considered expandable residually with respect to those located in Belladanza and Borgogiglione. A response was made immediately to this resolution disputing its content and proceeding on 1 February 2022 to the application for expansion, which, however, was followed by a communication from the Region indicating the inadmissibility of the application under the terms of the aforementioned resolution. This resolution was appealed in February 2022 to the Umbria Regional Administrative Court. This was followed by further communication, as well as a meeting with the Region in the context of the technical panel also established with the aforementioned resolution 2/2022.

We can note that with Resolution no. 600 of 15 June 2022 the Executive Committee of the Umbria Region pre-adopted the Proposed Regional Integrated Waste Management Plan (PRGR). The Region intends to approve it by the end of the current year. Acea Ambiente presented its opinions on 19 August 2022, which were partially accepted.

The Plan was adopted by the Umbria Regional Council with Regional Decree 1135 of 2 November 2022 after the positive completion of the VAS.

At present, both the Belladanza landfill and the Borgogiglione location have obtained a new AIA. Therefore, on 7 December 2022, Acea Ambiente requested reactivation of the procedure. However, on 21 December 2022 the Region indicated that the request could not be accepted and was consequently filed away. Acea Ambiente promptly responded on 10 January 2023. On 18 January 2023, Acea

Ambiente was invited to a hearing of the 2nd Permanent Council Commission on the Regional Waste Management Plan (PRGIR). Following this hearing, the observations presented in August 2022 were sent again, and the note responding to the rejection of the expansion request sent in January 2023. The Region had indicated its intention to definitively approve the Plan by the end of the first half of 2023, but at present there is no additional news.

On 21 February 2023, in the context of the agreements reached between Acea and the Municipality of Terni, with reference to the Acea Group acquiring an equity investment in ASM Terni, Acea Ambiente established a limited liability company, Orvieto Ambiente S.r.l., to which, on 1 March 2023, it granted, releasing and subscribing a share capital increase resolved by the Shareholders' Meeting of Orvieto Ambiente S.r.l., the business unit consisting of the mechanical sorting and composting plant and the landfill located in the Municipality of Orvieto, together with the relative business. This took effect as of 1 March 2023 and, therefore, the company became fully operational as of that date.

Monterotondo Marittimo (UL5): on 27 August 2020, in accordance with the deadline envisaged by the calendar approved by the Tuscany Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). In any case, the new IEA, by virtue of the achievement of the Environmental Management System certification to UNI EN ISO 14001 level, authorised the plant for a duration of 12 years. On 11 November 2022, Acea Ambiente sent the Region of Tuscany a request for a non-substantial change to the AIA, expecting to implement a series of structural and management projects to achieve various efficiencies on the pre-treatment and water management line for the purposes of reuse. On 12 May 2023, the Region authorised this request. This request also includes the results of the study recently concluded with regards to the contamination concentration limits (CSC) on subterranean water and in particular new basic natural values.

Also considering that on 30 March 2023 the investigation process through ISPRA was completed for EMAS registration, the duration of the AIA was extended through 2037 and activities are in progress to reduce the amount of the sureties.

Sabaudia (UL6): with regard to the composting section of the Sabaudia plant, the Integrated Environmental Authorisation issued by the Lazio Region on 1 December 2008 is still being renewed. In any case the IEA was formally extended by the Lazio Region pending the conclusion of the authorisation process. On 9 January 2020 the Lazio Region accepted the request for unification of the Integrated Environmental Authorisation (IEA) proceedings and at the same time requested, of only the part of Environmental Impact Assessment (EIA), an update of the documentation, which was promptly sent.

The tender procedure was completed and the aforementioned works for the adaptation of the plant to the requirements of the Consorzio di Bonifica Agro Pontino were assigned following verification of the adequacy of the tenders. The works were handed over to the company on 24 June 2020 and completed on 10 March 2021. As it stands, part of the works (demolition and reconstruction of a roof) are still suspended, as they require an amnesty followed by a landscape go ahead from the Municipality of Sabaudia, which has been sent several formal requests. At present, the final investigation by the Municipality for the amnesty permit is still pending. To that end, on 7 September 2022, the Company sent the documentation requested by the Municipality and also made the required payments. The latest requests made by the Municipality (structural resistance and/or commissioning of the structures to be condoned) are suggesting the drastic proposal of demolishing the structure, renouncing the amnesty and hence the space. In any case, certain AIA and security actions continue to be carried out at the plant, for example monitoring of subterranean waters, fire prevention checks and electrical system checks.

Aprilia (UL7): the plant is authorised for operation with an Integrated Environmental Authorisation issued by the Lazio Region with DD no. G00101 of 12 June 2021.

With Directorial Decree 2538 of 24 February 2023, authorisation was granted for the non-substantial amendment to the AIA in question, requested in 2022. Thanks to the authorisation of the non-substantial amendment, it was possible to begin a series of technical, structural and management projects so as to improve the efficiency of plant management, as well as to monitor the total organic compounds with biofilters, without the methane component, with the relative annual experimental protocol begun in May 2023.

Note that on 31 March 2023 commissioning began with respect to certain supplies and works to improve the efficiency of the fire prevention system, specifically: replacement of the barrier identification systems with heat-sensitive cable serving the final ageing and finished product warehouse, the installation of 2 general alarm systems, 4 detection systems serving the two MV/LV electrical substations, a fire prevention pump assembly and biocell ventilator corridor, as well as the supply and installation of 3 EI 120 containers to store oils and lubricants. Commissioning of the supplies and works described above was completed on 30 April 2023. Additionally, by the end of the current year the fire resistant treatment will begin, utilising intumescent paint on the columns and lower trusses of the finished product warehouse, in order to obtain fire resistance class REI 30. Finally, a series of civil works is under way, preparatory to implementing new systems and equipment (wheel washing system, second heavy vehicle weighing system, foundation for clarified storage tanks, etc.).

Chiusi: the company carries out purification, treatment and intermediation of liquid waste in the plants located in Le Biffe, Pianino and ex Comova. The plant was authorised based on Integrated Environmental Authorisation issued with Directorial Decree 16494 of 18 August 2022, valid until 18 August 2034, for an authorised amount of 99,900 tonnes/year.

After a long investigation, the review of the environmental authorisation was finally completed successfully and, at the same time, the go-ahead was received to upgrade and modernise the chemical/physical waste pre-treatment section.

During the period in question, maintenance actions were carried out to ensure adequate residual treatment capacity in the suspended-biomass biological segment and to make it more efficient in terms of electricity consumption. Replacement of the bed of oxygenators

of the second oxidation reactor allowed a significant economic saving. Similarly, evident increased oxidative capacity for the segment made it possible to begin treatment of a waste flow in line with the budget.

Aquaser: mainly operates, as a joint venture, as a waste intermediary with its Customers/Shareholders belonging to the ACEA Group. During the period of reference, the company consolidated its market position by strengthening its transport activities through the acquisition of vehicles and personnel that now allow the management, at least partially, of the corresponding services.

Aquaser currently wholly or partially performs the service of loading, transport and recovery/disposal of waste from water purification for the companies of the ACEA Group. It also manages individual orders related to the service of loading, transportation and recovery/disposal of waste or soil improvers for the company Acea Ambiente, as well as other ancillary activities on behalf of third-party customers (mainly transport services). The recovery activities are carried out through energy recovery, conditioning or composting plants of third parties, and in part at the plants of the parent company, while disposal activities are almost all carried out at incineration, treatment plants/landfills of third parties both domestic and abroad. Note that in the current fairly stable regulatory context, substantial consistency has been obtained in amounts received for recovery (representing around 90% of that managed), with a slow and gradual recovery in supply, made concrete through a satisfactory participation in tenders to receive waste. In fact, the tenders issued to receive intermediate waste (sludge, above all), with the destination abroad or in Italy have been participated in satisfactorily, with assignment of almost all the quantities available in the tenders. This is a notable reversal of the trend with respect to the scarce demand that had burdened the “recovery” market up to this point, a clear sign that regulatory problems have been overcome (at least temporarily), which in recent years had significantly impacted business in the sector. On the other hand, the structural lack of landfills suitable for managing the portions to be disposed of is becoming increasingly clear, and disposal is more and more difficult (and costly). Transport services have dealt with a complex situation due to the increase in fuel prices, even if they fell slightly in the last few months of 2022.

Iseco: operates in the Water Business, whose main activities are the management, maintenance and construction of plants, and the Milk - Dairy Business, whose main activities are the production of whey powder and the sale of related products for zootechnical and food use and the processing of seroderivatives on behalf of third parties. During the year, the Company regularly and effectively carried out the services called for in the management contracts signed with all the areas of operations in the Valle d'Aosta region, with good operating margins also as an effect of complementary management activities, waste transport and extraordinary and specialist maintenance, for the most part internalised and carried out by company personnel. Construction work on the district treatment plant in Donnas was completed, entrusted to the Company as principal of a temporary consortium and the entity responsible for installing the electromechanical works and future management of the plant. In terms of activities in the seroderivative dairy business, over the years the Company has developed high level specialisation in production cycles to transform seroderivatives from milk to higher added value products destined for human consumption.

Acque Industriali: through the management of specific platforms, provides intermediation and liquid waste treatment services to private companies operating both regionally and nationally, as well as activities collateral to those of the integrated water cycle consisting mainly in the recovery and disposal of biological sludge. The Company designs and builds plants mainly related to the treatment of wastewater and sludge and waste in general, as well as to the treatment of atmospheric emissions, following up with their subsequent ordinary and extraordinary management, as well as carrying out design, direction and execution of works in the field of environmental clean-up of polluted sites, mainly in the industrial sector. It also performs research and development in the sectors of reference in partnership with research bodies at both a regional and national level.

The plants owned by the Company ensure solely purification pretreatments involving chemical/physical actions, lacking biological action sections and, therefore, make it possible to respect the tabular limits under the law only on the condition that derogations can be obtained relative to multiple parameters in table 3 of annex 5 to part III of Legislative Decree 152/06, as amended. Hence, these must necessarily be updated in line with new provisions and technical rules. Until the investigations for authorisation reviews have been completed, the new operating conditions will not be known and, when necessary, the systems improvements judged essential to adjust the plants to the new provisions will not have been implemented, meaning the full nominal quantity of waste established in the authorisations cannot be accepted. In particular, recall that waste brokerage activities, based on the specific know-how of the Company, its in-depth understanding of the reference markets and the quality and extent of its contact network, support combining growing demand for transfer spaces coming from customers and the supply of waste reception from a limited number of companies, mainly located in central/northern Italy, and can be a useful tool to support waste treatment plants in the Area.

Demap: carries out its activity in the field of sorting plastic packaging from urban waste collection. It is one of the 33 or so Forced Selection Centres (FSCs) that have an agreement with the Corepla Consortium, established by law pursuant to Italian Legislative Decree 22/97 and now regulated by Italian Legislative Decree 152/06, responsible for achieving the recycling and recovery targets for plastic packaging of consumed products.

Separate collection of plastic packaging is regulated at the national level through a framework agreement between Anci and Conai and the technical annexes concluded between Anci and the individual value chain consortia and between Anci and the recognised PRO systems. The technical annex for plastic packaging establishes that collection can be transferred to the Sorting Centre in a selective manner (single material collection) or jointly (multimaterial collection), governing transfer methods also in relation to proximity, in compliance with market and competition rules. Demap has carried out its business in compliance with current regulations and is authorised pursuant to Legislative Decree 152/06, through a provision issued by the Province of Turin, no. 1525 of 5 May 2020, as amended, following the event that occurred in December 2021, with provision DD507 of 11 February 2022. It should also be noted that the operating trend in the first half of 2023 and the relative summary figures for volumes processed are influenced by the event that occurred on 12 December 2021 and the subsequent provisions issued by the relevant Authorities. During the half in question, the

Company regularly provided the services called for in the contracts signed with Corepla and Coripet, as well as the affiliated multimaterial depositors, following the awarding of the tender issued by the Metropolitan City of Turin, DD3707 of 26 July 2021. During the period, a total of 16,606 tonnes were directly received. The amount of separated urban waste with respect to plastic and plastic and metal packaging (light multimaterial) processed by the plant in the first half of 2023 increased by around 74.28% with respect to volumes handled during the same period the previous year.

Berg: operates in the environmental services sector and in particular in the treatment of liquid and solid waste. Pursuant to Article 2428 of the Italian Civil Code, activities are carried out at the Frosinone plant, where Hazardous and Non-Hazardous Liquid and Solid Waste is Stored and Treated. In terms of authorisation, the plant has an Integrated Environmental Authorisation issued by the Lazio Region with Executive Resolution B0201/09 of 30 January 2009, expiring on 30 January 2025 (duration of 16 years by virtue of the site's EMAS registration). In May 2021, in accordance with the deadline envisaged by the calendar approved by the Lazio Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). Note that also for the activities performed, the Company continues to implement all initiatives necessary for workplace safety, in line with relevant laws and in respect of the provisions found in the Integrated Environmental Authorisation document. BERG holds not just Quality certifications (ISO 9001) but also Environmental (ISO 14001 and ISO 45001) and consequently received the "Certificate of Excellence" which strengthens all three individual certifications. Also note that the Company has received EMAS certification of its Environmental Report.

Cavallari: operates at five sites (Ostra, Castelplanio, Fabriano, Falconara Marittima and Corinaldo, all in the province of Ancona) with activities structured in different market contexts in the areas of selection, treatment, recovery and sending urban waste for recycling, from separate collection and waste produced in industrial, commerce and artisanal contexts. One of the main sectors for the Company is the secondary selection of polymers deriving from separate collection of plastic as the Ostra plant is one of the 30 national centres affiliated with the Corepla Consortium, with the Coripet and with the other EPR systems, responsible for performing the forced selection activities by polymer and by colour of the plastic deriving from urban separate waste collection.

Another important area in which the Company began and has subsequently developed excellent skills is the selection and utilisation of industrial waste (multimaterial). This market segment is still today one of the main ones of the company's business. The Company is also the plant of reference for management of ELTs (End-of-Life Tyres); for this market the Company holds the leadership for the entire Regions of Marche and Umbria. The Company operates in full compliance with the relevant regulations of the Consolidated Environmental Law and the subsequent and recent updates and is authorised to operate by the Province of Ancona for all its industrial locations.

The Falconara location is authorised to accept around 13 kton/year, of which 3.6 kton/year for recovery operations.

Note that on 3 November 2022, Cavallari acquired 100% of the share capital of Italmacero S.r.l., a company that selects and recovers paper, cardboard and other non-hazardous waste (plastic, wood, iron). On 16 June 2023, effective 1 July 2023, Italmacero S.r.l. was incorporated in Cavallari through a merger.

Ferrocarr: operates in the environmental sector and, in particular, in the transport, recovery and initial recycling of special and urban waste. The waste treated is mainly paper, plastic, wood, metal and large waste and it is a point of reference in the territory, being a platform for the main consortia of the chain such as Comieco (National Consortium for the recovery and recycling of cellulose-based packaging), Corepla (National Consortium for the recovery and recycling of plastic packaging), Rilegno (National Consortium for the recovery and recycling of wood packaging), Ricrea (National Consortium for the recovery and recycling of steel packaging) and Cial (National Consortium for the recovery and recycling of aluminium packaging). Additionally, it operates with the largest entities, both public and private, performing the activity of recovering waste deriving from the separate collections of the surrounding municipalities and has among its customers the largest private companies in the area.

As is known, on 6 December 2022, in the context of a public procedure launched by ASM Terni to identify an economic operator to strengthen and extend its strategic development lines, which was awarded to Acea S.p.A. which had participated on its own account and that of other Group companies, including Acea Ambiente S.r.l., the latter transferred its 60% equity investment in Ferrocarr to ASM Terni. During this half, synergies were developed with the parent company ASM Terni S.p.A. In particular, a contract was signed to collect metal waste coming from collection centres and to recover glass, with an estimated amount of around 5,000 tonnes/year, managed through brokering. With reference to relations with Acea Ambiente, at the beginning of the year contracts were signed to transfer biodegradable waste, pulper and production waste. Finally, note that activities are in progress to improve and optimise the fire prevention system and implement measures to reduce risks. These include the installation of a thermal imaging camera system to monitor the temperature of the waste stored and the optimisation of the fire fighting hydraulic circuit, as well as installation of reinforced concrete blocks to separate waste piles in the plants.

Deco operates in the waste sector in Abruzzo and is engaged in the design, construction and management of plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources. The scope of the business includes: a Mechanical-Biological Treatment (MBT) plant with an authorised capacity of 270,000 tonnes/year, a photovoltaic plant, a biogas plant and two disposal plants. The Company also holds 100% of **Ecologica Sangro**, a company operating in Abruzzo in the sector of integrated management of solid urban waste. Note that technical and commercial actions constantly taken by the company, in Italy and abroad, to find solutions to make use of the SRF produced, made it possible to offset the constant increases in naval transport costs and led to the activation of the storage centres at the port and in the industrial area of Ortona, supporting the existing temporary depot at the MBT plant.

The Company's MBT plant, owing to its strategic location, is one of the plants of reference in support of the waste emergency of Campania and the City of Rome. In addition, owing to the waste emergency of the City of Rome, the Lazio Region has asked the Abruzzo Region to sign an interregional agreement that would permit a limited circulation of untreated and unseparated between the two regions, enabling the plants in Abruzzo to make themselves available for the treatment of waste produced in the bordering region.

The treatment potential of the plant, which is doubtless higher, was in any case limited by difficulty in finding locations to transfer the final landfill waste portion (around 35% of incoming material) due to a lack of large landfills in the region.

Note that with service contracts signed on 23 November 2022 between Acea Ambiente and its subsidiary Deco, the latter was assigned activities functional to operating the CIRSU technological hub, destined for the receipt, treatment, recovery and disposal of solid urban waste, consisting of movable assets, real estate, plants and landfills, including the landfill known as "Grasciano 2". With Region of Abruzzo determination DPC026/306 of 13 December 2022, Deco obtained the transfer of the Integrated Environmental Authorisations previously held by Acea Ambiente, which had become the owner of the hub after awarding of the competitive sales procedure held by the Court of Teramo as part of the bankruptcy proceeding for CIRSU.

As of 16 January 2023, deliveries to the Grasciano2 landfill began. To deal with logistical needs of the TMB plant in Chieti, the Company received authorisation to manage an R13 storage in the Municipality of Ortona, to guarantee the needed flexibility for shipments abroad of Solid Recovered Fuel produced by the plant. On 23 January 2023, Acea Ambiente acquired from Rem S.p.A. the remaining 35% of the share capital of Deco, becoming its sole shareholder.

Meg: located in San Giovanni Ilarione in the province of Verona, it manages, recovers and recycles waste coming from collection.

The Company processes and recycles mixed plastics (Corepla and CORIPET circuit) for production of secondary raw materials and solid recovered fuel with a capacity of around 55,000/tonnes per year. In particular, the Company utilises mechanical, manual and washing treatments for incoming plastics with the aim of producing secondary raw materials, as well as recovering: plastic packaging, plastic urban waste from separate collection, plastics and rubber coming from industrial activity. The Company works in the plastic recovery sector, with many relationships with consortia in the chain, both for selection activities and subsequent recycling. It also designs and constructs selection and recycling plants, regularly providing maintenance for the same plants for many players, above all in central-northern Italy. Following a slight decrease in the volume of materials processed, the company contacted clients interested in increasing the level of recycling within their production chains.

In the first half of 2023, the plant underwent technical upgrading work, which enabled the creation of a new washing line and the addition of a second pellet production line, the effects of which will mainly begin to be seen in the second half. Also note that on 30 May 2023, Meg and D.R.V. S.r.l. signed a contract to lease a business unit, consisting of a plastic packaging sorting system, for items coming from urban and/or commercial separated waste in Torretta di Legnago, as well as the relative authorisations, certifications and policies. The efficacy of this contract has a condition precedent, specifically the the relevant entities/authorities authorising the transfer of the authorisations and policies relative to the said system.

AS Recycling: a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic selection FSC (Breakdown of plastics into the various polymer categories for sorting). Note that relative to the value of the fixed assets in 2022, equal to over € 6 million, during the first half of 2023 the Company made investments in excess of € 3.8 million.

S.E.R. Plast: operates in the recovery sector and in recycling plastic waste to produce secondary raw materials. In particular, the Company subjects the plastic waste on input, coming from the urban and industrial circuit, to mechanical processes of separation, shredding, automatic selection, washing and granulation. The Company is located in Cellino Attanasio in the province of Teramo. During 2022, the Company's plant underwent technical upgrading work, which made it possible to complete the installation of a number of production lines to expand the activity, increasing the quantities of materials processed, and thus increasing the range of products offered, guaranteeing an expansion of the relevant market.

Tecnoservizi: in October, Acea Ambiente acquired 70% of Tecnoservizi S.r.l., which provides collection, treatment and collection services for separate and unseparated waste, representing a stable and consolidated reference point for over 25 years, in the delicate system of the urban and special waste cycle in the Region of Lazio, serving as a platform for the main consortia. The Company provides its services in the sectors of recovery and initial recycling of industrial and civil waste, hospital liquid and solid waste, urban waste and special waste; the waste treated mainly include construction waste, health waste, paper, multimaterial, wood, metal and large waste. The Company has an authorised treatment capacity of 210 thousand tonnes per year and operates in the province of Rome, performing activity of transport and disposal and recovery of urban, special hazardous and non-hazardous waste, such as paper, plastic, wood, glass, metal etc. coming from the separate collection of Municipalities, Bodies and Industries. The first half of 2023 saw significant oscillations in the relevant market values, both with regards to raw materials and sales of secondary raw materials. The construction sector also saw large oscillations with trends that became increasingly stable during the second quarter of 2023. In any case, the execution and increase of services with major industrial companies, both public and private, continued to be guaranteed, also through participation in public tenders for services, which saw some awarded, the effects of which began to be seen in May.

Italmacero: the Company offers mechanical processing and recovery of separate urban waste (mixed packaging, monomaterials) and non-hazardous special waste. The Company is the owner of a plant in the area of North Ancona, with an authorised capacity of 13 thousand tonnes. The Company, 100% controlled by Cavallari, approved the merger by incorporation in the parent company as part of the reorganisation strategy for the Environment Segment, to optimise resources and financial and economic flows deriving from the business currently carried out by that company, as well as to achieve economies of scale and improve corporate process. Accounting and tax effects begin on 1 July 2023.

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
Electrical Energy sold - Free	GWh	2,724	3,049	(324)	(10.6%)
Electrical Energy sold - Protected	GWh	624	733	(109)	(14.8%)
Electricity - Free market customers (P.O.D.)	N/1000	570	493	77	15.6%
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/1000	642	672	(30)	(4.5%)
Gas Sold	MSmc	114	130	(17)	(12.7%)
Gas - No. Free Market Customers	N/1000	272	228	44	19.3%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	1,232.3	1,340.7	(108.4)	(8.1%)
Costs	1,176.8	1,302.3	(125.5)	(9.6%)
EBITDA	55.5	38.4	17.1	44.4%
Operating profit/(loss)	21.4	6.7	14.8	n.s.
Average Workforce	459	437	22	5.1%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	23.7	49.6	(25.9)	(52.3%)	20.6	3.1	15.1%
Net Financial Position	(204.8)	(144.9)	(59.9)	41.3%	(234.4)	29.6	(12.6%)

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Commercial and Trading Segment	55.5	38.4	17.1	44.4%
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	8.3%	5.6%	2.6 p.p.	

The Segment, responsible for the management and development of electricity and gas sales and related customer relationship activities as well as the Group's energy management policies, closed H1 2023 with an EBITDA of € 55.5 million, up compared to the same period of 2022 by € 17.1 million.

The increase is mainly attributable to **Acea Energia** (+ € 14.7 million), due to **i)** the net increase in the gas margin (+ € 11.7 million); **ii)** the improvement in the energy margin of € 2.0 million; **iii)** the higher margin coming from energy management business (+ € 2.3 million); **iv)** the higher margin coming from energy efficiency and smart services business (+ € 0.6 million). Also contributing to the increase in this area was **Acea Innovation** (+€ 1.6 million) as a result of higher margins on e-mobility, smart services and smart comp activities.

With reference to effects on the primary energy margin, the details show an improvement in the margin relative to the **electricity free market** (+ € 4.6 million), driven by the performance of the Domestic Retail segment, which saw both a +16% increase in the average Customer Base and in terms of unitary margins (+25%); the margin for the **Greater Protection Service** shows a decrease due in part to the automatic assignment of non-domestic and micro enterprise customers ("Other uses") to the Gradual Protection Service activated as of 1 April 2023, and in part to the "natural" exit of Greater Protection Service customers to the Free Market, which during the period totalled -8%, not offset by the application of higher tariffs. The margin for the **Gradual Protection Service** was instead € 2.2 million. The **gas market** generated an increase in margins of € 11.6 million mainly due to higher unit margins in both segments. There was also an increase in the average customer base in this market (+15%) due to the substantial increase in customers in the Retail segment, which offset the reduction in the Business segment. Finally, note a reduction in general volumes (-13%), concentrated in the business segment due to few clients, while the retail sector saw a slight increase.

The energy margin for **optimisation** of energy flows was positive and totalled € 6.5 million, an increase of € 2.3 million with respect to the same period the previous year; the change is due to the progressive loosening of commodities price tensions seen on the wholesale energy markets.

Operating profit increased by € 14.8 million, influenced not only by higher margins, but also by greater amortisation/depreciation (+ € 4.4 million), for the most part due to costs for customer acquisition and greater provisioning (+ € 1.0 million), relative to the estimate

of the supplemental and performance bonuses to be paid to agents, only partially offset by lower writedowns on receivables (- € 3.1 million).

With reference to the workforce, the average number at 30 June 2023 stood at 459 employees, slightly up compared to 30 June 2022 by 22 employees. This change is attributable to **Acea Energia** (12 units), **Acea Innovation** (7 units).

Investments by the Segment amounted to € 23.7 million, a small increase of € 3.1 million compared to 30 June 2022. Total investments mainly related to **Acea Energia** and mostly referred to the cost of acquiring new customers in accordance with IFRS15 (€ 15.2 million). The smart services and e-mobility projects (€ 1.7 million) developed by **Acea Innovation** also contributed to the investments of the Segment.

Net financial position at 30 June 2023 was positive, standing at € 204.8 million, an increase of € 59.9 million compared to 31 December 2022 and a decrease of € 29.6 million compared to 30 June 2022. The changes are mainly attributable to **Acea Energia** and mainly derive from market price and operating cash flow trends.

Significant and subsequent events

Energy Management

Acea Energia carries out the necessary "Energy Management" activities for the Group's operations, with particular regard to sales and production activities. The Company also liaises with the Energy Market Operators (EMO) and with TERNA. In relation to the institutional entity Terna, the Company is the input Dispatch User for Acea Produzione and other companies in the Group. It performed the following main activities in the period:

- the optimisation and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant;
- the negotiation of fuel procurement contracts for the power generating plants;
- the procurement of natural gas and electricity for the sales company to sell to end customers;
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies' risk profile.

At 30 June 2023 Acea Energia had purchased electricity from the market for a total of 3,614 GWh, of which 2,730 GWh through bilateral contracts and/or intercompany contracts and 884 GWh through Borsa, for resale to end customers of the free market and for the optimisation of energy flows and the purchasing portfolio.

Electricity distribution

With regard to the sales market, service quality on the retail portfolio is continuing to improve.

In the first half of 2023, electricity was sold on the standard-offer market for a total of 559 GWh, with a 25.8% reduction on a trend basis. The number of withdrawal points totalled 620,600 (676,007 at 31 December 2022). The sale of electricity on the free market amounted to 2,587 GWh for Acea Energia and 196 GWh for Umbria Energy, for a total of 2,783 GWh, with a decrease compared to the same period last year of 8.6%. The average number of withdrawal points in the period totalled 672,403 (502,403 at 31 December 2022).

In addition, Acea Energia and the other sales companies of the Group sold 114 million Sm³ of gas to end customers and wholesalers which involved an average of 262,309 re-delivery points for the period, while at 31 December 2022 they were 233,101.

With regard to the proceedings started by the **Antitrust Authority** and **ARERA**, the main updates are described below:

Proceeding PS9354 of the Antitrust Authority (AGCM)

On 15 February 2023, the Authority provided notification of its appeal of the Lazio Regional Administrative Court Section I ruling of 18 November 2022, no. 15322, adopted at the end of the procedure 10090/2016 in its final stages. At present, the possibility of a loss is assessed as possible.

Proceeding A513 of the Antitrust Authority (AGCM) for abuse of dominant position

On 17 October 2019 the Lazio Regional Administrative Court issued sentence no. 03306/19, which upheld the appeal brought by ACEA S.p.A. and Acea Energia S.p.A., as a result, annulled sanction measure no. 27496 of 20 December 2018 that found that ACEA S.p.A. and Acea Energia S.p.A. had abused their dominant position in violation of art. 102 of the TFEU, which had led to the imposition of an administrative fine of € 16.2 million.

On 17 January 2020, the notice of appeal was served, with which the Antitrust Authority (AGCM) asked the Council of State to annul and/or overturn sentence no. 11960/2019 rendered by the Lazio Regional Administrative Court and, as a result, reject the application submitted by Acea S.p.A. and Acea Energia S.p.A. in the 1st instance. On 14 February 2020, Acea Energia filed a cross appeal.

On 11 May 2023 the public hearing with the Council of State was held to discuss AGCM's appeal for the reform of sentence no. 11960/2019 issued by the Lazio Regional Administrative Court. In a judgement issued 31 May 2023, the Council of State rejected the AGCM's appeal against Acea and Acea Energia, declaring the incidental appeals could not move forward and ordering the payment of court costs.

Proceeding PS12458 of the Antitrust Authority (AGCM): while the case is pending with the Lazio Regional Administrative Court, Acea Energia sent AGCM, on 16 January 2023, a response to the request for information contained in the provision of 12 December 2022,

as well as a new report on compliance with the measures requested by the Authority with the provision of 29 December 2022, restating the full compliance of its actions with respect to that contained in article 3 of the Aid-bis Decree Law, as also confirmed by the clarification made by the legislators through article 11, paragraph 8 of Decree Law 198 of 2022 (Thousand Extensions).

On 22 February 2023, the public hearing with the Lazio Regional Administrative Court was held. In judgement 8398 of 17 May 2023, it annulled the precautionary provisions issued by AGCM in the context of proceeding PS12458. The proceeding is still in the investigation stage and, while awaiting the judgement from the Lazio Regional Administrative Court, documents and information continue to be exchanged between Acea Energia and AGCM. The AGCM may appeal the Lazio Regional Administrative Court judgement by 8 September 2023.

Regional Administrative Court of Lazio, Proceedings listed with case no. 7436/2022: Petition to suspend and cancel (Art. 56 of the Code of Administrative Procedure) the Revenue Agency Director's decision of 17 June 2022 (no. 221978/2022) concerning "Definition of the requirements, reporting criteria and mode of payment of the extraordinary contribution pursuant to Art. 37 of Law Decree No. 21 of 21 March 2022. Definition of the terms for the exchange of information with the Finance Police": in a petition filed on 27 June 2022, Acea Energia challenged the Revenue Agency's decision **no. 221978/2022** of 17 June 2022, which is the regulatory and administrative measure identifying the criteria and terms for payment of the extraordinary contribution to counter rising utility bills, introduced in Art. 37 of Law Decree No. 21 of 21 March 2022, converted into Law No. 51 on the 20 May 2022 (also known as the "Ukraine bis" or "Price Cuts" Decree).

With a Decree on 28 June 2022, the Regional Administrative Court rejected the requests for monocratic precautionary measures presented by the Company, setting the hearing for discussion before the Board for 19 July; at that time, the Board, accepting AE's requests and those of the other operators present mainly in the oil sector, set the hearing for the discussion of the merits, together with the current precautionary requests, for 8 November.

On 16 November 2022, the Regional Administrative Court issued judgement 15217 with which it declared its lack of jurisdiction. Acea Energia filed an appeal with the Council of State and with judgement 3214 of 28 March 2023, the Council of State recognised the existence of administrative jurisdiction and, consequently, annulled the first level sentence that had been appealed.

On 20 June 2023 the hearing with the Lazio Regional Administrative Court was held, during which the Board called for the comprehensive discussion of all the judgements appealed by the various companies involved. Publication of the decision is awaited.

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
Water Volumes	Mm3	21	21	1	3.0%
Volumes fed into the grid	Mm3	39	38	1	2.3%
Number of customers (user accounts served)	Number	123,950	122,791	1,159	0.9%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	49.2	44.0	5.2	11.8%
Costs	30.6	28.6	2.0	6.9%
EBITDA	18.6	15.4	3.2	20.9%
Operating profit/(loss)	10.7	9.0	1.7	19.1%
Average Workforce	2,531	2,376	155	6.5%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	1.7	5.8	(4.1)	(71.5%)	1.6	0.1	3.8%
Net Financial Position	(30.0)	(26.6)	(3.4)	12.9%	(21.8)	(8.2)	37.6%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Overseas Segment	18.6	15.4	3.2	20.9%
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	2.8%	2.3%	0.5 p.p.	

The Segment currently includes the water companies that manage the water service in Latin America. Specifically:

- Agua de San Pedro (Honduras), 60.65% owned by the Group as of October 2016, when it was consolidated using the line-by-line method. The Company serves its customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic), wholly owned by the Group, provides the service to the local Municipality known as CAASD (Corporation Aqueeducto Alcantariado Santo Domingo);
- AguaAzul Bogotá (Colombia), of which the Group holds 51%, is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors;
- Consortio Agua Azul (Peru) is controlled by the Group which owns 44% and provides the water and discharge service in the north of the city of Lima;
- Acea Perú is wholly owned by Acea International and was established on 28 June 2018. This company was established with the specific intent to manage the aqueduct service in the city of Lima through consortia;
- Consortio Servicio Sur controlled by Acea International (50%), by ACEA Ato2 (1%) and by local partners Conhydra, Valio and India overall equal to 49%. The Consortio was established on 5 July 2018 with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru). The Consortio's activities ended during 2021 and it is currently in liquidation;
- Consortio ACEA controlled by Acea Perú (99%) and ACEA Ato2 (1%), established on 15 December 2020. Consortio ACEA signed a three-year contract for the management of pumping stations for drinking water in Lima Centro;
- Consortio Acea Lima Norte controlled by Acea Perú (99%) and ACEA Ato2 (1%), established on 5 January 2021. Consortio Acea Lima Norte signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima;
- Consortio Acea Lima Sur controlled by Acea Perú (99%) and ACEA Ato2 (1%), established on 6 October 2021. Consortio Acea Lima Norte signed a three-year contract for corrective maintenance of the water and sewerage network in the Sud di Lima zone.

The Segment closed the first half of 2023 with EBITDA of € 18.6 million, which is up by € 3.2 million compared to 30 June 2022. The increase is mainly attributable to **Agua de San Pedro** (+€ 3.0 million) due to higher invoiced volumes (+3%) as well as to a rate increase due to inflation.

The average workforce at 30 June 2023 was 2,531 units, up by 155 with respect to 30 June 2022, mainly due to **Acea Perú** (+ 122 units), **Consortio Acea** (+ 29 units), and **Consortio Acea Lima Sur** (+ 18 units).



Investments during the year totalled € 1.7 million, an increase (+ € 0.1 million) compared to the same period the previous year, mainly associated with **Aguas de San Pedro**.

The net financial position as at 31 June 2023 was positive, amounting to € 30.0 million, an improvement of € 3.4 million compared to 31 December 2022 and of € 8.2 million compared to 30 June 2022. The change is mainly linked to **Aguas de San Pedro** and **Consortio Agua Azul** and mainly derives from operating cash flow trends, in particular the improvement in margins and the regularisation of the amounts collected by Acea Peru and the consortia, as well as lower taxes paid by Acea International due to the advance paid in 2022.

Significant and subsequent events

No significant events occurred in the period.

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
Water volumes	Mm3	251	255	(4)	(1.5%)
Energy consumed	GWh	355	371	(16)	(4.4%)
Sludge disposed of	KTon	88	94	(6)	(6.4%)

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	728.3	678.2	50.1	7.4%
Costs	375.0	324.5	50.5	15.6%
EBITDA	353.3	353.7	(0.4)	(0.1%)
Operating profit/(loss)	152.9	173.1	(20.2)	(11.7%)
Average Workforce	3,989	3,496	493	14.1%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	337.5	611.0	(273.5)	(44.8%)	259.7	77.8	29.9%
Net Financial Position	1,950.8	1,796.2	154.6	8.6%	1,752.9	197.9	11.3%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Water Segment	353.3	353.7	(0.4)	(0.1%)
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	52.7%	51.8%	0.9 pp	

The EBITDA for the Segment stood at € 353.3 million, a decrease of € 0.4 million with respect to 30 June 2022 (- 0.1%). This change is due to the following opposing effects: a reduction (- € 5.7 million) influenced by the recognition in the previous year of technical quality bonuses for companies in the water sector (- € 26.9 million) for the years 2018-2019 (Resolution 183/2022/R/idr of 26 April 2022), partially offset by greater tariff revenue registered by ACEA Ato2 (+ € 13.4 million), Gori (+ € 4.0 million) and Acquedotto del Fiora (+ € 1.7 million), deriving from the 2022-2023 biennial tariff update and the recognition by Gori of contributions for Regional Works relative to 2018-2021 (+ € 4.5 million). Also making a positive contribution to the result for the Segment was the change in the scope of consolidation (+ € 5.2 million), following the consolidation of **ASM Terni**, acquired at the end of 2022.

The contribution made to EBITDA by water companies measured with the equity method, € 12.8 million, saw a reduction (- € 1.4 million), mainly attributable to the **Acque Group** (- € 1.2 million) and **GEAL** (- € 0.9 million), which suffered in general from the recognition of technical quality bonuses in 2022. The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

€ million	30/06/2023	30/06/2022	Change	% Change
Publiacqua	5.0	4.7	0.3	6.7%
Acque Group	5.4	6.6	(1.2)	(17.7%)
Umbra Acque	1.8	1.3	0.5	40.3%
Nuove Acque and Intesa Aretina	0.2	0.2	(0.1)	(22.9%)
Geal	0.2	1.1	(0.9)	(82.0%)
Umbria Distribuzione Gas	0.1	0.0	0.1	n.s.
Romeo Gas	0.0	0.2	(0.2)	(100.0%)
Total	12.8	14.2	(1.4)	(9.9%)

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019 and subsequent updates, taking into account the approval of the 2022-2023 tariff provisions which occurred in the meantime. For more details, please see the section "Progress of the procedure for approving tariffs" in this document.

The operating result suffered from greater writedowns (+ € 3.3 million), for the most part attributable to **ACEA Ato5** (+ € 1.1 million) and **GORI** (+ € 1.5 million), as well as the increase in amortisation/depreciation (+ € 18.6 million), mainly due to **ACEA Ato2** (+ € 11.8



million), **GORI** (+ € 1.3 million) and **ACEA Ato5** (+ € 0.7 million) mainly due to investments made in 2022 and 2023, for which the assets previously in progress began operating, as well as the consolidation of **ASM Terni** (+ € 3.0 million). These effects were offset by lower provisioning (- € 2.2 million) mainly due to the release of the provision for legal risks for ACEA Ato5 for € 1.2 million, due to the release of the provision established in 2021 to cover the higher sums to be paid by the company as concession fees for years 2006-2011 following a judgement in the company's favour.

The average workforce as of 30 June 2023, equal to 3,989, increased by 493 compared to 30 June 2022, mainly attributable to the consolidation of **ASM Terni** (386 employees) and residually to **ACEA Ato2** (50 employees) and **Adistribuzionegas** (25 employees), mainly due to the acquisition of the branch deriving from the partial demerger of Romeo Gas in October 2022.

Investments by the Segment amounted to € 337.5 million, an increase of € 77.8 million compared to the same period of the previous year. The increase is attributable to the higher investments made by **ACEA Ato2** (+€ 36.8 million), **ACEA Ato5** (+€ 7.6 million), **Gori** (+€ 22.3 million) and **Acquedotto del Fiora** (+€ 7.6 million). The change in scope involving consolidation of **ASM Terni** accounted for € 1.8 million of the increase. Investments mainly refer to extraordinary maintenance, updating, modernisation and expansion of systems and grids, the reclamation and expansion of water and sewer lines in various municipalities and projects involving treatment plants and transport systems (ducts and feeders); with reference to ACEA Ato2, these investments are in line with the growth planned for in the action plan approved by the relevant entity in November 2022.

The Segment's net financial position stood at € 1,950.8 million at 30 June 2023, a decrease of € 154.6 million compared to 31 December 2022 and of € 197.9 million compared to 30 June 2022. The changes were affected by the trend in investments for the period, as well as by the dynamics of operating cash flow.

Significant and subsequent events

Information relative to concessions for companies in the water segment is provided in full in the section of the Notes, "Service Concession Report".

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
Electricity distributed	GWh	4,314	4,560	(246)	(5.4%)
No. of Customers	N/1000	1,658	1,648	10	0.6%
Km of Grid (MV/LV)	Km	31,922	31,453	469	1.5%
2G Metering Groups	Number	164,735	136,530	28,205	20.7%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	314.3	304.4	10.0	3.3%
Costs	128.2	123.3	4.9	4.0%
EBITDA	186.2	181.1	5.1	2.8%
Operating profit/(loss)	113.9	113.8	0.1	0.1%
Average Workforce	1,283	1,261	22	1.7%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	128.8	268.8	(140.0)	(52.1%)	135.9	(7.1)	(5.2%)
Net Financial Position	1,940.0	1,785.2	154.8	8.7%	1,817.2	122.8	6.8%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Energy Infrastructure Segment	186.2	181.1	5.1	2.8%
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	27.8%	26.5%	1.2 p.p.	

The EBITDA for the Segment at 30 June 2023 was € 186.2 million, an increase of € 5.1 million compared to 30 June 2022. EBITDA for **areti** rose by € 4.7 million, as a consequence of the opposing effects coming from energy balancing (+ € 5.3 million) and cost efficiency (+ € 1.5 million), offset by the effects of the resilience plan (- € 2.9 million). With reference to the energy balance, as at 30 June 2023, **Areti** distributed 4,314 GWh to end customers, down by 5.4% on the same period in the previous year. EBITDA from **public lighting** amounted to € 0.5 million, with an improvement of € 1.2 million compared to 30 June 2022 due to extraordinary maintenance, modernisation and security activities carried out in connection with managing the public lighting service in the municipality of Rome.

The average number of employees increased slightly compared to the same period in the previous year (+ 22 employees).

The operating result increased by € 0.1 million compared to 30 June 2022 and was affected mainly by higher depreciation/amortisation for the period (+ € 5.0 million) due to the combined effect of higher depreciation/amortisation of software purchased in previous periods and investments made on the distribution network and industrial and commercial equipment.

Investments amounted to € 128.8 million and decreased by € 7.1 million compared to the same period of the previous year, due to lower projects involving the technical quality of assets. The investments refer mainly to Areti and are attributable to the expansion and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment as part of the grid “Adequacy and Safety” and “Innovation and Digitalisation” projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems. The **public lighting** sector contributed for € 0.6 million.

The net financial position stood at € 1,940.0 million as at 30 June 2023, down by € 154.8 million compared to 31 December 2022 and by € 122.8 million compared to 30 June 2022, primarily attributable to the operating cash flow trends for regulatory items (accounting and balancing advances).

Significant and subsequent events

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges.

At 30 June 2023 the total receivables accrued by the Company amounted to € 68.9 million, including billed interest.

Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses accrued over time, the reduction in the value of the Areti receivable from Gala was prudentially determined.



On 22 March 2022, Resolution no. 119/2022/R/eel was published, containing the provisions related to the unified mechanism to reimburse electricity distributors for receivables not collected and not otherwise recoverable in relation to general system charges (OGdS) and network charges (OdR). This Resolution, which repeals Resolution 50/2018/R/eel, sought to standardise the methods for requesting general system charges and network charges as part of a single application, the deadline for which is set for the first year of entry into force of such mechanism on 31 July 2022. Some of the most important developments introduced include the possibility to also request in the application receivables related to the specific tariff fee (CTS) from inadequate MV end users, since this is a fee pertaining to the transport service. The application related to this mechanism was presented by 31 July 2022. Thanks to this mechanism, it was possible to recover an additional credit quota for Gala, the amount of which is € 470 thousand relative to general system charges and € 850 thousand for grid charges. In April 2023 another request was presented, through which another € 160 thousand was recovered to be recognised by CSEA by 30 September 2023.

Technological innovation projects

2G digital meter project

In an increasingly advanced technological and energy context, the "2G Digital Meter" project was launched by Areti with the aim of replacing the first-generation electricity meter system with the 2G Smart Metering system in compliance with the requirements of ARERA Resolution 306/2019/R/eel.

Following the selection procedure of the supplier of the field equipment (meters and concentrators) and the related Central Purchasing System (Management Centre) concluded in September 2019 with the publication of the award and subsequent submission to ARERA of the Request for Authorisation to Recognise Investments (RARI), which were followed in 2020 by preliminary activities related among other things to the assessment of the suitable actions to counter the spread of the COVID-19 epidemic, ARERA with Resolution no. 293/2020 of 28/7/2020 approved Areti's PMS2, as per the latest revision presented on 14 July 2020 and set the date for initiation of Areti's PMS2 as 1 January 2020, admitting the investments regarding the 2G smart-metering system of Areti to the scheme for specific recognition of capital costs, starting from the same date.

On 30 June 2023, around 804,000 metres had been installed, in line with the plan for the current year. Considering that no issues are seen with respect to supplies of the devices, the installation plan will continue in line with that ordered by ARERA in resolution 724/2022/R/eel, updating resolution 306/2019 in the light of the problems arising due to the Covid-19 health emergency and the significant limitations on the availability of 2G components in 2022.

To ensure compliance with the new measurement processes and the operation of the new technology (concentrators and electronic meters), a complex evolution of the Areti application map was required. In addition to the introduction and integration of a new system for remote management and remote reading of the second-generation field equipment (Beat Suite), it was necessary to make changes to the main applications related to logistics and warehouse processes, field processes (replacement of the concentrator and first generation meter), commercial systems (development and management of the PDFM system), integration systems (middleware) and WFM and mobile systems, in addition to the development of a new metering acquisition, validation and publication system.

The activities dedicated to the refinement of the new operational and managerial reporting continued, as did the adjustment of the existing reporting. At the same time, data are being made available for the analytics systems with a view to monitoring the new processes for measurement and mitigation of risks to the regularity of the metering service.

Areti's single Data Lake

During the first half of 2021, the analysis environment of data for the distribution business was further extended. The calculation infrastructure operates in the Google Cloud environment. Activities run from the definition of a data model to the process of releasing it to an analysis environment, including infrastructure management.

As for data integration, to date the following are available:

- 1G remote management system, both for LANDIS and EMO meters
- Company Electric GIS mapping system
- Company IP GIS mapping system
- Integrated Low Voltage Network Survey in all tabular areas
- SAP (IS-U and MDM)
- TESS system (commercial quality)
- RadarMeteo weather data recorded and forecasts
- SAP PM
- SAP MM
- SAP IS-U PDFM
- Remote management system
- Remote control system: load profiles at 10 minutes
- ORBT history (selection of several tabular areas)
- NPC Geocall system (selection of several tabular areas)
- Curve and Daily Closures from 2G Management Centre

Further data integration is ongoing according to the priorities dictated by the business, with reference to certain tabular areas for the 2G Management Centre.

Network diagnostics and monitoring project

The project is divided into three main lines of action:

- Primary station diagnostics
- Substation diagnostics
- Overhead line diagnostics



Public lighting monitoring

1. Primary station diagnostics with UGV Drones

The project involves the development of an UGV (Unmanned Ground Vehicle) prototype for autonomous or remotely piloted inspection of primary stations. The AUTONOMUS UGV drone has sensors for detecting environmental parameters (temperature sensors, partial discharges, cameras) and sensors for moving autonomously in the environment (lidar, GPS and cameras). It executes inspection plans independently and can be remotely controlled for targeted security checks and operations. The system may also transmit inspection information to an operator located at a location other than the place of operation.

During the first half of 2023, additional experimental inspection cycles were carried out, in concert with the Network.

2. Substation diagnostics (CS-Plus)

The project involves testing an integrated IOT solution for remote monitoring, diagnostics and management services: e.g., environmental parameters, digital access management, etc.

During 2022, the expansion of experiments with the solution involving 50 critical systems was completed. An integration interface was also engineered for simplification and standardisation of field assembly of the solution. The planned IOT services are: (i) Access control, (ii) Environmental temperature monitoring, (iii) Transformer temperature monitoring, (iv) Humidity monitoring, (v) Flood monitoring. During the first half of 2023 monitoring of the in the field solution continued, to determine future methods for use and integration in asset management processes.

3. Overhead line diagnostics

The project involves the combination of periodic analyses of satellite images using artificial intelligence algorithms (developed to detect man-made and/or vegetation interference) and targeted inspections with drones to enable a continuous monitoring of overhead lines. During 2020, the platform for management of the process was developed and went live and operation of the process itself was launched. The process was found to be highly innovative both by the Politecnico di Milano university Drone observatory and Space Economy observatory.

During the first half of 2023, the plan to inspect MV overhead lines carried out exclusively with drones in a mixed Engineering-Development/Network team continued, and inspection cycles for the HV grid began. Additionally, the Media Data Storage platform was released and improved, allowing for filing and historicisation of all video and photographic material obtained through the drone inspections. The platform allows for highly evolved and user friendly consultation of the archive.

4. Public Lighting Monitoring

The project called for the launch of two POCs to verify the possibility of identifying lighting points in the territory and thereby determine the accuracy of the GSI database, identifying switched off lighting points taking advantage of new technology:

- SAT Analysis POC: calls for the use of satellite images and IA analysis to identify lighting points and switched off lights;
- IA Rounds POC: calls for the use of rounds done through video detection from vehicles and IA to identify lighting points and switched off lights.

During the first half of 2023 experimentation on the IA Rounds POC was completed, indicating pleasing effectiveness in the identification of switched off lights, in the face of substantial alignment with the GIS databases obtainable with SAT Analysis experimentation.

Development of Areti telecommunications network

In 2023, plans for the TLC project include:

- the continuation of activities to build a high-speed and high-reliability fibre-optic network that will link all primary substations, which constitute the main backbone of the telecommunications network and from which all smart-grid services will be launched, and the linking of around 150 substations via fibre optic. This network will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in substations and, where possible, the metering points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment. This network will also allow implementation of advanced automation for substations linked by fibre optic, in order to significantly improve the quality of the electricity service;
- the connection and migration of services in 21 primary substations;
- the activation of the 4G mobile radio link in approximately 1,800 secondary substations;
- the activation of advanced automation for resilience in 5 sections;
- the activation of advanced FO/4G automation in approximately 20 backbones;
- the activation of LV remote control in approximately 467 secondary substations.

By 2024, all primary substations are planned to be linked via fibre optics (owned or IRU) and approximately 6,000 secondary substations are planned to be connected to the main network (fibre optics/4G), which will substantially reduce the impact on the territory of maintenance activities by reducing inconvenience to the public.

During the first half of 2023, the project saw:

- installation of equipment in **15** primary substations and service migration to 8;
- the continuation of the implementation of 4G mobile radio links, both to speed up the deployment of advanced automation services in secondary substations in addition to those that will be reached by fibre optics (secondary access substations) and to continue with the transition of existing 2G/3G mobile radio links to 4G connection technology;
- activation of 4G mobile radio connections in **783** secondary substations;



- the activation of remote control of low-voltage circuit breakers in **124** secondary substations.

Public Lighting

As at 30 June 2023, extraordinary maintenance, modernisation and safety activities agreed to with Roma Capitale continued regularly, thus creating new lighting points as part of the lighting re-engineering and development projects, integrating operational activities through the ordinary and extraordinary maintenance activities provided for in the plan, which have characterised and consolidated various proposals for intervention for the improvement and renovation of systems and, consequently, the quality of the service offered. A portion of public lighting systems requires action to verify safety conditions and, when necessary, adjustment works to restore them to full efficiency; this work is necessarily part of a multi-year programme falling under the contract period.

Below is a summary of the main projects carried out during the half:

Grid modernisation and safety

This includes inspections, extraordinary maintenance and when necessary, updating to class II of lights managed for Roma Capitale. In particular, following continuous monitoring and during completion of activities on the public lighting systems, both due to malfunctions and to update lights, critical situations were frequently identified with respect to the status of underground backbone power lines, which required the replacement of significant sections. 97 grid modernisation sections were carried out, as well as 2,558 updates to lights with class II insulation.

Scheduled maintenance for lights

The plan involves cyclical schedule maintenance projects, as well as inspections and a dedicated plan to remove structural problems in the systems.

Finally, note that again in the first half of 2023, Public Lighting, in addition to the ordinary and extraordinary maintenance called for in the plan, also identified and consolidated various proposals to improve and update the systems and, consequently, the quality of the service offered.

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
Energy produced (hydro+thermal)	GWh	336	296	40	13.6%
of which hydro	GWh	239	182	57	31.2%
of which thermal	GWh	97	113	(17)	(14.7%)
(Photovoltaic) Energy Produced	GWh	67	64	2	3.6%
Energy produced (cogeneration)	GWh	15	17	(2)	(13.0%)

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	74.0	92.1	(18.1)	(19.7%)
Costs	43.2	40.1	3.1	7.7%
EBITDA	30.8	52.0	(21.2)	(40.7%)
Operating profit/(loss)	20.8	43.0	(22.2)	(51.6%)
Average Workforce	97	91	6	7.0%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	25.3	30.3	(5.0)	(16.5%)	19.5	5.8	29.7%
Net Financial Position	227.3	160.5	66.8	41.6%	113.2	114.1	100.7%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Generation Segment	30.8	52.0	(21.2)	(40.7%)
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	4.6%	7.6%	(3.0 p.p.)	

EBITDA as at 30 June 2023 amounted to € 30.8 million and decreased by € 21.2 million compared to 30 June 2022, mainly attributable to **Acea Produzione** (- € 13.7 million) as a result of lower margins on hydroelectric production (- € 11.3 million) which, despite an increase in volume compared with the same period the previous year (+56.9 GWh), was affected by the significant reduction in prices on the energy markets (the average DAM price for January-June 2023 was € 136/MWh compared with € 248/MWh in the same period in 2022), the effect of the Sostegni (Support) Decree Law on the revenue of the Sant'Angelo hydroelectric plant and the cap effect (€ 180/MWh) introduced by the 2023 Budget Law as well as lower margins on thermoelectric production and district heating (- € 1.2 million) as a result of lower prices, lower quantities, partly offset by lower gas costs due to the price effect, and the plant shutdown in January and February 2022.

EBITDA for the **photovoltaic** segment fell by € 6.3 million, mainly influenced by the change in the scope (- € 4.9 million) due to the loss of control over a photovoltaic holding in the ACEA Group (Acea Sun Capital) as of April 2022.

The average workforce increased slightly (+ 6 units) compared to the same period in the previous year; note that the photovoltaic companies do not have employees.

Investments amounted to € 25.3 million and increased by € 5.8 million compared to the same period of the previous year due to greater investments made by **Acea Solar** (+ € 6.7 million) for photovoltaic development projects; this increase was offset in the photovoltaic segment by SF Island (- € 0.7 million). Acea Produzione investments came to € 3.3 million, in line with the same period the previous year, and mainly involve work to maintain and upgrade hydroelectric plants (€ 1.2 million), expand and repair the district heating network (€ 1.0 million) and work on the Tor di Valle plant (€ 0.2 million). The remaining amount comes from investments in technological infrastructure and photovoltaics.

The net financial position stood at € 227.3 million as at 30 June 2023 and worsened by € 66.8 million compared to 31 December 2022 and € 114.1 million compared to 30 June 2022, primarily attributable to the operating cash flow dynamics and Acea Solar's investments.

Significant and subsequent events

Production of electricity

The production system of Acea Produzione currently consists of a series of generation plants with total installed capacity of 229.2 MW, composed of five hydroelectric plants (three located in Lazio, one in Umbria and one in Abruzzo), photovoltaic plants, two mini hydro" plants, Cecchina and Madonna del Rosario, two thermoelectric power stations, Montemartini and Tor di Valle; the latter consists of a modern high-efficiency cogeneration plant, replacing the previous combined-cycle plant; the plant was launched for commercial operation on 9 July 2021, allowing the Company to meet the commitments made by Acea Produzione under the capacity market auction award for the 2022 - 2037 period. The power plant in its current configuration consists of three high-efficiency natural gas-fired engines each with an electrical output of 9.5 MW, for a total of 28.5 MW, as well as three integration boilers and 6 storage tanks. In addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.

Activities to improve the quality of the district heating service continue, with extraordinary maintenance of the district heating grid involving both the renovation of the delivery substations and the replacement of several important sections of piping. In particular, the doubling of the section of piping from the Tor di Valle power plant was commissioned. With reference to activities implemented to comply with the requirements introduced by ARERA for technical quality, the due dates for accounting and reporting were all guaranteed.

In addition to the production assets described above, Acea Produzione, following the disposal of plants during the year 2021, owns photovoltaic plants for an installed capacity of 3.1 MWp in addition to those owned by its subsidiaries.

In the first half of 2023, the Company generated a volume of 305.7 GWh through the directly owned power plants. During the period, the Company's production was subdivided into hydroelectric plant production of 241.9 GWh, production from mini-hydro plants of 1.7 GWh, thermoelectric production of 60.3 GWh and photovoltaic production of 1.8 GWh.

With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 37.9 GWh, for a total of 3,581 utilities served (194 condominiums and 3,387 real estate units).

Co-generation

The operational management of Ecogena focuses mainly on three areas: (i) consulting in the Esco sector and provision of services related to obligations to increase the energy efficiency of third parties (inside or outside of the ACEA Group); (ii) the supply of energy services through the management of cogeneration (or trigeneration) plants and district heating networks and the sale of energy produced to Customers; and (iii) the coordination of Group companies with regard to energy-efficiency projects.

At 30 June 2023, the Ecogena production system consists of a number of cogeneration systems, with total electrical capacity of 1.86 MW. This amount does not include the 2 MWe capacity installed with reference to the Mondorevive tri-generation plant in the province of Pavia, for which installation was completed in the final days of the half in question and will begin operating in the initial months of the second half.

The plants held by the company are entirely located in the Lazio region, some of which are combined with district heating grids. As at 30 June 2023, the Company had achieved a production volume of around 3.4 GWh (electricity), 8.9 GWh (thermal) and 2.5 GWh of refrigeration. Compared to last year, thermal energy and refrigeration energy sold to customers is down, while electricity increased by 19%.

With reference to cogeneration and trigeneration systems, a management and monitoring contract is in effect for the plants, with reference to specialised maintenance contracts (the main components at the plants).

With reference to the trigeneration plan in Porte di Roma, a technical/economic assessment is in progress to add a new cogenerator to increase the total amount of thermal energy produced through cogeneration and meet the technical requirement established for efficient district heating. The hypothesis being studied also includes reuse of the gas cogenerator installed at the Cinecittà Parchi plant. To that end, an agreement was signed with Cinecittà Parchi to change the deadline for dismantling the cogeneration plant to 31 January 2024. Dismantling of the thermal and refrigeration plants was completed.

With regard to the air conditioning system at ACEA's data processing centre (Cedet), checks and fine-tuning were carried out on the new more efficient system. The last report on the actual energy savings achieved was sent to the Customer and confirmed compliance with the energy performance guaranteed in the Energy Performance Contract (savings of 282 MWh with reference to the year from July 2021 - June 2022). The final consumption of the plant with improved efficiency showed an energy saving of 30% compared to the previous use of the plant.

As part of the activities carried out by Ecogena for Acea Innovation, pertaining to the project for the design, permitting and construction of a charging infrastructure for electric vehicles, it should be noted that the installation of "WAVE I" of the project have been almost completed, while some installations remain to be completed on locations that have suffered delays due to SIMU (infrastructure department of the Municipality of Rome) in the RM V Municipality (for the issuance of licenses). Work continues for "WAVE II" on the ninety-two authorised projects, a good portion of which are completed and others in the process of being completed, as scheduled.

With reference to WAVE III, the presentation of the final 23 to the municipalities is complete, relative to the 51 projects authorised by the Services Conference. At the same time, work to install the charging stations already authorised by municipalities has begun.

With regards to efficiency for residential buildings through tax deductions (ecobonus and earthquake bonus) and in the context of the cooperation developed between Acea Innovation (owner of the business line) and Ecogena, a reduction was seen in the scope of the initiatives identified commercially which did not lead to contracts with end users due to difficulties faced by Acea Innovation receiving loans from the banking system.

With reference to cogeneration, works to construct the cogeneration plant at the MONDOREVIVE SpA plant are in their final stage. Recall that the contract with the client was signed in December 2021 and during 2022, contracts were signed for construction, and in March the authorisation process began to build the plant in the Province of Varese. The services conference was completed successfully in September 2022 and in October work began, which is now nearing completion. The plant is expected to begin operating in the third quarter of 2023. Preliminary checks are underway on other industrial prospects, as well as preparatory activities to evaluate an opportunity in the photovoltaic sector that envisages the construction of the plant in ESCO mode, supplying an energy service to end customers.

Energy Box transaction – Photovoltaic plants

As described in detail in the section on "*Assets held for sale*", at the end of 2021, Acea and Equitix signed an agreement to sell the company that holds the stakes in the companies that own the photovoltaic plants (Acea Sun Capital), to a newly created company to which Acea's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred. Note that during the first half of 2023, work to construct a photovoltaic system continued, that will later be transferred to the Equitix Group.

Photovoltaic Systems

In 2023 activities continued to develop greenfields, through co-development contracts with qualified companies in the sector, to establish a significant pipeline of projects at various levels of development, on both agricultural and industrial land. Note that Acea Solar, due to SF Island liquidity needs (a subsidiary of Acea Solar) to acquire land and for accessory costs with reference to projects to develop and construct photovoltaic systems, granted three shareholder loans for a total of € 6.7 million. These mature on 31 December 2024.

With reference to the shareholder loans granted to SF Island by Acea Solar, as established in the contract, following the annual update to economic conditions, the interest rate was adjusted to 3.59% for 2023.

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2023	30/06/2022	Change	% Change
Total number of analyses	Number	500,639	535,965	(35,326)	(6.6%)
Total number of samples	Number	16,784	18,378	(1,594)	(8.7%)
Number of projects	Number	7,692	8,050	(358)	(4.4%)
Number of EPC work sites	Number	266	349	(83)	(23.8%)

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	61.1	57.5	3.6	6.2%
Costs	58.4	52.7	5.7	10.9%
EBITDA	2.6	4.8	(2.2)	(45.3%)
Operating profit/(loss)	(0.9)	0.5	(1.5)	n.s.
Average Workforce	478	451	28	6.1%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	2.3	5.8	(3.5)	(60.4%)	1.8	0.5	25.4%
Net Financial Position	48.8	24.0	24.8	103.1%	45.6	3.2	7.0%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Engineering and Services Segment	2.6	4.8	(2.2)	(45.3%)
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	0.4%	0.7%	(0.3 p.p.)	

EBITDA for the segment at 30 June 2023 came to € 2.6 million, down by € 2.2 million with respect to the previous year. This change is due to **Simam** (- € 1.5 million) due to lower construction and water treatment business with respect to the same period the previous year and to **TWS** (- € 0.3 million) due to the reduction in the construction and project management margin due to postponing of work orders.

The average workforce at 30 June 2023 stood at 478 and was up compared to 30 June 2022 (451 employees). This change is attributable to **Simam** (23 units) and to **Acea Elabori** (4 units).

Investments amounted to € 2.3 million, down by € 0.5 million compared to the same period the previous year. Investments mainly refer to **Acea Elabori** (€ 1.6 million) and **SIMAM** (€ 0.5 million).

The net financial position as at 30 June 2023 was € 48.8 million, an increase of € 24.8 million compared to 31 December 2022, influenced in part by the operation to acquire third party equity investments in SIMAM (+ € 13.2 million), and up by € 3.2 million compared to 30 June 2022. The change is due to the dynamics of operating cash flow.

Significant and subsequent events

No significant events occurred in the period.

Operating figures, equity and financial results for the period

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
Revenues	69.2	70.2	(0.9)	(1.3%)
Costs	88.3	91.4	(3.1)	(3.4%)
EBITDA	(19.0)	(21.3)	2.2	(10.4%)
Operating profit/(loss)	(33.7)	(36.2)	2.5	(7.0%)
Average Workforce	726	713	13	1.8%

Economic and financial results € million	30/06/2023	31/12/2022	Change	% Change	30/06/2022	Change	% Change
Capex	10.3	32.7	(22.4)	(68.6%)	12.7	(2.4)	(19.0%)
Net Financial Position	419.1	471.6	(52.5)	(11.1%)	395.1	24.0	6.1%

Economic and financial results € million	30/06/2023	30/06/2022	Change	% Change
EBITDA – Corporate Segment	(19.0)	(21.3)	2.2	(10.4%)
EBITDA – Group	670.4	682.5	(12.1)	(1.8%)
Percentage	(2.8%)	(3.1%)	0.3 p.p.	

Corporate closed at 30 June 2023 with negative EBITDA of € 19.0 million, an increase of € 2.2 million compared to the same period in 2022. The change is attributable to the combined effect of lower costs in part due to lower consultancy expenses, only partially offset by lower chargebacks to Group companies and higher personnel costs related to the effects of contractual adjustments and an increase in staff.

EBITDA is negative at € 33.7 million, an improvement over the same period of the previous year of € 2.5 million, as a result on the one hand, of the increase in EBITDA, and on the other hand, of higher depreciation/amortisation offset by lower provisions for risks. Greater amortisation includes that relative to IT investments.

The average workforce at 30 June 2023 stood at 726, an increase of 13 compared to 2022 (713 units).

Investments amounted to € 10.3 million (€ 12.7 million at 30 June 2022) and mainly refer to software licenses, IT development and investments in company offices.

The net financial position at 30 June 2023 was € 419.1 million and recorded a decrease compared to the end of financial year 2022 of € 52.5 million, which mainly derived from the cash needs of Group companies and corporate.

Significant and subsequent events

No significant events were reported during the period.

Significant events during the period and afterwards

[Acea: successful placement of a € 500 million Green Bond and subsequent 200 million TAP issue](#)

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.

The issue, which is part of the Green Financing Framework and the € 5 billion Euro Medium Term Notes (EMTN) programme, was a great success, receiving more than 3 times the amount offered from primary investors coming from numerous geographic areas, mainly in the green sector.

The profits will be used to finance specific projects with sustainability goals. In particular, those relative to resilience of the electricity distribution grid, energy efficiency, electric mobility, development of the circular economy, increasing energy produced from renewable sources and protection of water resources. The issue is intended exclusively for institutional investors in the Euromarket.

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"). The TAP Issue received requests equal to over 1.5 times the amount offered. The securities, with a minimum unit of € 100,000 and a rate of 3.875%, were placed at an issue price of 100.368%, implying a return of 3.820% or 105 basis points above the midswap rate, offering a further improvement on the already very satisfactory terms of the original issue.

[Acea reaches 100% of Deco: the remaining 35% of the company acquired, the main operator in the Abruzzo environmental sector](#)

On 23 January 2023, Acea acquired the remaining 35% of Deco's share capital, a company operating in the waste sector in Abruzzo in which it already held a 65% stake, with the closing of the acquisition occurring in November 2021. The company designs, constructs and manages plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources.

[Acea: Michaela Castelli resigns from the position of Chairman for personal reasons](#)

Acea notes that, on 14 February 2023, the lawyer Michaela Castelli resigned with immediate effect from her position as Director and Chairperson of the Board of Directors of Acea SpA.

[Acea: Barbara Marinali appointed as the new Chairman of the Board of Directors](#)

On 17 February 2023, the Acea S.p.A. Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, Barbara Marinali as a new non-executive Director of the Company, replacing Michaela Castelli who resigned on 14 February 2023. The Board of Directors also appointed Barbara Marinali as the Chairman of the Board of Directors.

[Acea: indication of interest in the Rome waste to energy plant presented](#)

On 1 March, Acea Ambiente, a subsidiary of Acea, responded to the public notice issued by the municipality of Rome to find economic operators interested in presenting project financing proposals for assignment of the systems hub concession relative to the design, authorisation, construction and management of a waste-to-energy plant and correlated ancillary systems.

Acea Ambiente presented its indication of interest with other national and international partners, including Hitachi Zosen Inova, Vianini Lavori and Suez, following favourable determinations by the relevant corporate bodies of Acea Ambiente and Acea (also pursuant to the provisions of the Acea Group Related Party Transactions Procedure).

[Acea: 2023 ESR Top Utility Research and Innovation](#)

On 9 March, Acea was awarded the ESR Top Utility Research and Innovation prize. Acea won in the Research and Innovation category for "its ability to develop research projects that apply innovative digital and cybersecurity technologies to remote control systems of physical infrastructure, experiment with secure ICT platforms that enable widespread and small-scale users to participate in energy flexibility markets, and involve researchers, operators, manufacturers and start-ups in the process of technological innovation".

[Acea: new innovative agreement with trade unions concerning the Employee and Participation Charter](#)

On 15 March, Acea and the trade unions met and reached a significant and innovative agreement: Acea's Employee and Participation Charter. This is a Protocol for strengthening trade union relations, enhancing involvement and participation and putting people at the centre. In fact, the purpose of the Agreement is to create value for the territory, strengthen the quality of service, develop and increase the company's professionalism and individual and collective well-being, investing in the skills and competences of Employees, as levers for addressing and overcoming the major socio-economic challenges we face.

[Acea: Fitch Ratings confirms ACEA's BBB+ rating and changes the outlook from stable to negative](#)

On 15 March, Fitch Ratings confirmed Acea's Long-Term Issuer Default Rating (IDR) at BBB+, its Short-Term IDR at F2 and the Long-Term Senior Unsecured Rating at BBB+. At the same time, the Agency announced that it had changed the outlook on the Company from stable to negative. The change in the outlook reflects expectations on the increase in leverage, due to the absorption of cash due to working capital trends and the acceleration of the Group's investments related to 2022. The confirmation of the BBB+ rating reflects Acea's strategic focus on regulated activities, together with the solidity of operating management.

Acea: Shareholders' Meeting approves 2022 Financial Statements, appoints new Board of Directors and confirms € 0.85 dividend

On 18 April, the Shareholders' Meeting of Acea SpA, in first call, in Extraordinary and Ordinary session, approved the financial statements and consolidated financial statements for the year ended 31 December 2022, resolved on the allocation of the profit for 2022 and appointed the new Board of Directors.

The Extraordinary Shareholders' Meeting approved the amendment to Article 15 of the By-Laws. The Ordinary Shareholders' Meeting thus set the number of members of the Board of Directors at 13 and resolved to appoint the new Board of Directors, which will remain in office for three years, namely until the approval of the Financial Statements for 2025. The election of the members of the Board of Directors took place by list voting, according to the procedures set forth in Article 15 of the By-Laws in the new formulation approved by the Shareholders' Meeting.

The following are elected to the new Board of Directors:

- Barbara Marinali, Fabrizio Palermo, Nathalie Tocci, Angelo Piazza, Elisabetta Maggini, Alessandro Picardi and Luisa Melara, on the basis of the list submitted by the shareholder Roma Capitale, owner of 51% of the share capital of ACEA SpA, which obtained the majority of the votes (approx. 68.08% of the shares admitted to vote);
- Thomas Devedjian and Vincenza Patrizia Rutigliano, on the basis of the list submitted by the shareholder Suez International SAS, owner of 23.33% of the share capital of ACEA SpA;
- Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso, on the basis of the list presented by the shareholder Fincal SpA, owner of 3.19% of the share capital of ACEA SpA;
- Antonino Cusimano and Antonella Rosa Bianchessi, on the basis of the list presented by a group of asset management companies and institutional investors, holding a total of 1.17% of the share capital of ACEA SpA.

Pursuant to the relevant regulations and By-Laws, the gender distribution criterion was respected.

Barbara Marinali was confirmed as the new Chairperson of the Board of Directors.

Acea and ASM Terni: second closing of the Umbrian integrated multi-utility completed

On 20 April, the second closing was finalised, concluding the corporate merger between Acea, ASM Terni, and the municipality of Terni, following the public procedure initiated by ASM Terni. Following the completion of this agreement, Acea's stake in ASM Terni's share capital rises to 45% and the Umbrian utility acquires 20% of the capital of Orvieto Ambiente, Acea Ambiente's spin-off company. This strengthens Umbria's first integrated multi-utility, an industrial company active in the water sector, waste management, power generation and the distribution and sale of electricity and gas.

Acea: acquisition of SIMAM completed

On 21 April, Acea completed the acquisition of the remaining 30% of SIMAM (Servizi Industriali Manageriali Ambientali), a company specialising in the engineering, construction and management of water and waste treatment plants, in environmental works and reclamation, with hi-tech integrated solutions. Over the last three years, Acea has developed new skills, know-how, and implemented new high-tech solutions in the field of design and project management, consolidating its capabilities in the construction and maintenance of infrastructures, for an increasingly sustainable, innovative and efficient management of services related to its business.

Acea: the new Board of Directors confirms Fabrizio Palermo as CEO

On 3 May, Acea's Board of Directors appointed Fabrizio Palermo as CEO and General Manager of the company, and granted him the powers for the ordinary management of the company and the group. In addition to the statutory functions of representation, the Chairperson, Barbara Marinali, was granted specific powers by the Board, including those relating to Corporate Governance. During the same meeting, the Board of Directors also appointed Fabio Paris as ACEA S.p.A.'s Financial Reporting Officer.

Acea: Employee and Participation Charter Signed with the Trade Unions

On 15 May, Acea and the trade unions signed the "Acea Employee and Participation Charter" protocol, following negotiations with the unions that began in February. The Protocol was signed by FILCTEM-CGIL, FLAEI-CISL, FEMCA-CISL and UILTEC-UIL, as well as by CISAL Federenergia, UGL Chimici Energia, USB Lavoro Privato and Associazione Capi Intermedi e Quadri. The Protocol outlines an updated model for industrial relations based on even more constant and integrated dialogue, with the aim of strengthening union relations, taking advantage of involvement and centring people.

Acea: partnership agreement signed with Acquedotto Pugliese

On 21 June, at the Water Innovation Summit in Bari, the two companies signed a memorandum to develop cooperation and projects to protect water resources, for technical development and regulatory aspects in the sector. Acea and Acquedotto Pugliese (AQP), the two main Italian operators in the integrated water service sector, signed a memorandum for joint development of cooperative projects with reference to protecting water resources and technological innovation. The memorandum of understanding was signed by the Chief Executive Officer of Acea, Fabrizio Palermo, and the Chairman of AQP, Domenico Laforgia, with the aim of sharing their respective skills in the water sector, to provide effective and technologically advanced management and operating solutions for national infrastructure.

Acea: Sabrina Di Bartolomeo appointed as Financial Reporting Manager

On 23 June, after receiving a favourable opinion from the Board of Statutory Auditors and effective immediately, the Acea Board of Directors appointed Sabrina Di Bartolomeo as Financial Reporting Manager, responsible for preparing the corporate accounting documents pursuant to article 154-bis of Italian Legislative Decree 59/98, as Acea's Chief Financial Officer, replacing Fabio Paris who, after ending his time with Acea, indicated his renunciation of the position.

Acea: € 435 million from the European Investment Bank to improve the quality and resilience of the water service

On 6 July, a loan contract was signed by Acea and the EIB for a total of € 435 million. The investments financed with these EIB resources will help to improve the coverage and quality of the integrated water service, reducing water loss and improving energy efficiency. Thanks to the support from the EIB, Acea will also increase the resiliency of the water service with respect to future extreme weather events such as droughts. Strengthening and improving infrastructure to provide a more efficient and resilient water service for citizens is the main objective for the € 435 million loan granted to Acea by the EIB. The transaction signed in Rome by the EIB's General Operations Manager, Jean-Christophe Laloux and Acea's Chief Financial Officer, Sabrina Di Bartolomeo, represented the first tranche of € 235 million, from the total € 435 million approved by the EIB's Board of Directors.

Acea: Standard Ethics increases the sustainability rating

On 12 July, Standard Ethics increased Acea's Corporate Standard Ethics Rating (SER) to "EE+" from the previous "EE", with a Positive outlook. The company first received a Corporate SER in 2019. The Company is a member of the SE Mid Italian Index and the SE European Multi-Utilities Index.

Main risks and uncertainties

Due to the nature of its business, the Group is potentially exposed to various types of risks, mainly from natural events, climatic changes and financial market risks (external risks) and operational and environmental risks specific to each business sector, Information Technology and Human Resources (internal risks). In order to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and continuous risk management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

As part of the Enterprise Risk Management Framework, Group companies, also availing themselves of the support and assistance of Acea SpA's Risk & Compliance Department, periodically carry out risk assessment activities in a structured manner, with the aim of identifying and assessing the main risks that may significantly affect the achievement of business objectives. In this way, a representation of the evolution of the Group's overall risk profile is achieved, through the mapping and prioritisation of the main risks to which the Group is exposed and the identification of optimal methods for managing them, by preparing a mitigation strategy and monitoring its implementation. In the monitoring phase, Group companies ensure the management of identified risk scenarios, including through the implementation of specific response actions identified to reduce their potential effects.

Given the continuation of the international geopolitical and economic crisis, with impacts on several aspects of the real economy, it was deemed expedient to evaluate more frequently the risk scenarios to which the Acea Group is exposed, also to facilitate adequate monitoring and possible refinement of the planned responses.

Furthermore, among the tools available to the Group, the Key Risk Indicators (KRI) Framework makes it possible to assess changes in the organisation's exposure to "operational" risks through the identification, regular updating and integrated reading of "sentinel" metrics.

In order to contain these types of risks, the Group has implemented mitigation and monitoring as summarised below at both a corporate and business sector level.

For Risk Mitigation long ago the ACEA Group introduced the development and adoption of a Group Insurance Plan based on the following pillars:

- *Third Party Liability;*
- *Property Damage;*
- *Employee benefits.*

More specifically, the first two pillars transfer the economic and/or asset risk deriving from civil liability – in all its general, professional, environmental forms – and from events (accidental, culpable or malicious) affecting the Group's physical and production assets.

The third pillar, on the other hand, aside from transferring economic and financial risk, implements a corporate welfare measure guaranteeing and paying the employees of the ACEA Group significant financial support – both to those directly concerned and to those who may be entitled – in case of serious traumatic events related to both the professional and private spheres.

Still on the subject of *risk mitigation*, most of the companies of the ACEA Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.

It should be noted that the main risks and uncertainties that could cause significant effects on the Acea Group's economic, equity and financial situation present at the time this current Report on Operations was prepared are identified and that, given the continued uncertainties with reference to the international situation, and that any updates will be made when necessary.

COMPETITIVE-REGULATORY RISKS

Regulatory evolution risk

As is well known, the ACEA Group operates mainly in regulated markets and the requirements and obligations that characterise them (as well as changes in the rules of operation of these markets) can significantly affect the results and performance of operations. In particular, several Group companies manage the Integrated Water Service in their respective Territorial Areas, which is known to be a sector receiving an increasing level of attention from lawmakers and the Sector Authority (ARERA). The Group is therefore exposed to the evolution of the relevant legal/regulatory frameworks in the areas served.

In this regard, it should be noted that following the extension of ARERA's regulatory and control powers to waste management, Companies in the Environment Segment are also exposed to potential risks arising from changes in the regulatory framework.

These risks are mitigated by careful monitoring of regulatory developments, interacting with the relevant bodies and participating in association and institutional meetings carried out by the competent business structures in synergy with the Group's organisational structures. These structures monitor regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and guidance for the consistent application of regulations in corporate procedures and within the electricity, gas, water and environment businesses.

Political, social and macroeconomic context risk

In providing services to its customers, the ACEA Group is very attentive to the expectations and choices of its institutional, regional and central counterparts. On the other hand, most of its activities are in any case sensitive to the economic and structural dynamics experienced by the economic and productive fabric of the respective regions.

In this sense, the main factors influencing the Group's performance include changes in the political, social and macroeconomic context of reference. These uncertainties can have an impact on the achievement of economic/financial objectives and investments, as well as on the implementation of major works, whose timing can be influenced by changes in government structures at both a central and local level.

With regard to the development initiatives envisaged in the Business Plan in the Environment Segment (growth through M&A and construction of greenfield plants), there is a risk deriving from the failure of the competent authorities to issue permits.

The Group has historically focused on guaranteeing levels of excellence in the technical and commercial quality of the services provided, including through dialogue models that are increasingly attentive to the needs expressed by its stakeholders in order to put in place virtuous dynamics in relations with its customers, also with regard to payment habits. In this regard, it should be noted that the Group is also subject to the risk of deterioration of its credit positions, particularly in connection with the provision of the Integrated Water Service, with consequences on the exposure of working capital. This risk is managed proactively by the relevant structures of the individual companies, applying specific Group Credit Policies and with the support of the Parent Company's relevant organisational structures.

In relation to the international geopolitical situation, it is currently difficult to assess the effects and repercussions that could derive from the continuation of the international crisis caused by the Russia/Ukraine conflict. Risk analysis done during the year in any case indicated continued risk in certain areas for Acea Group business (e.g. commodity prices, supply chains, etc.), which are discussed in more detail in the paragraphs below and are all involved in specific response actions and monitoring.

Management is currently engaged in monitoring the situation on international markets and will continue its analysis of commodity price trends over the coming months as well as the trend of receivables that however do not represent critical elements at the moment. With reference to raw materials, in addition to monitoring balances on the basis of fixed and variable price sales forecasts, Group companies only use high-standing counterparties that meet the requirements of their own commodity and counterparty risk procedures. With regard to the short and medium-term effects of a financial nature, the Group is carrying out appropriate monitoring activities in order to take timely action. It should be noted that Acea Group has no direct relations with companies under Russian, Ukrainian or Belarusian law that are in any way affected by the conflict. Given the situation of absolute uncertainty, the Acea Group will reflect in the Business Plan any impacts that are currently undetermined. As previously illustrated, the effects of the conflict on the global economic-financial conditions can be seen not only in companies whose investments or operating activities are mainly located in Russia, Belarus and/or Ukraine or that maintain commercial relationships with third companies operating in these countries, but all companies, as they find themselves in a greatly weakened economic-financial environment with rising interest rates.

Acea Group therefore conducted an analysis of the market and of possible different scenarios, thereby developing an econometric model for estimating the existing relationships between the main economic-financial data relevant to Acea's various companies and plants, with particular reference to margins, and the main macroeconomic variables. The main stages of the analysis focused on identifying possible alternative scenarios, collecting and analysing data on all Group companies and plants, and finally, based on the scenarios developed and the estimated model, forecasting the possible future performance of Acea financials. From the analyses conducted, there is no statistical evidence from the current macroeconomic environment of significant impacts on Acea's various businesses.

NATURAL RISKS

For the Acea Group, due to the nature and location of its business lines, the main issues related to climate change could arise in operational, regulatory and legal areas, with potential repercussions on finances as well. As far as the first aspect is concerned, chronic meteorological events like the reduction of rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed, with among other things an increase in energy consumption for the withdrawal of water from less favoured sources. On the other hand, extreme phenomena such as storms can lead to the risk of lightning strikes, blackouts or, for the water network, overflow of drains connected to the wastewater systems and turbidity of the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent financial penalties. The implications of regulatory actions on CO2 emission allowances, renewable sources, taxes and energy efficiency certificates could be very significant, with possible financial impacts.

Some of the risk that the Group must deal with includes possible impacts deriving from unpredictable natural phenomena (e.g. earthquakes, floods and landslides) and/or from cyclical or permanent climatic changes on the networks and plants managed by ACEA Group companies. The first types of risks are addressed through the implementation of structured tools for the governance of assets, specific to each business area (e.g. Water Safety Plan within the IWS; constant monitoring of the reservoirs, also carried out in collaboration with the competent Ministry, in the field of dam management), as well as with projects, some of national scope, aimed at increasing the resilience of the infrastructure in the various regions (e.g. the project to double the Peschiera-Le Capore aqueduct). The residual portion of risks from natural events is covered by the Group's insurance programme mentioned on the previous pages. The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.

In November 2022, COP27 was held in Sharm el-Sheikh. Negotiations were focussed on five themes: decarbonisation, climate adaptation, nature, food and water. The Conference ended with the issuing of the Sharm el-Sheikh Implementation Plan. This agreement maintains that ratified in the Glasgow Climate Pact (COP26), which included the commitment by signatory countries to keep global temperatures below an increase of 1.5°C with respect to pre-industrial levels and highlighted the need for a transition to a system based on renewable sources, with a reduction in the use of fossil fuels. Efforts to gradually eliminate coal were encouraged, favouring low-emission sources and promoting the elimination of fossil fuel subsidies. At the national level (Nationally Determined Contributions - NDC), countries which have not yet presented their decarbonisation commitments were encouraged to do so, while those that already have were asked to update them by the end of 2023. The main change involves the introduction of the “loss and damage” principle, which calls for the payment of indemnities to the most vulnerable developing countries for climate damage suffered. This principle will be implemented through the establishment of a specific Fund.

With reference to the issue of greenhouse gas emissions, again in 2022 Acea participated in the Carbon Disclosure Project – CDP, receiving a B grade and positioning the Company in the Management class. In 2022, in addition to publishing its first 2021 Climate Disclosure, based on the TCFD recommendations, Acea moved forward with a new project intended to enrich the identification of risks and medium/long-term climate scenario analysis. This important result has further stimulated the ACEA Group to progressively align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), not only in its metrics and targets, but also in its governance and risk and opportunity management, as a useful tool for improving its strategy for mitigating and adapting to future scenarios.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of the business exposes the ACEA Group to the risk of non-compliance with consumer-protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair commercial practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers), as well as the risk of non-compliance with regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities such as market allocation, manipulation of tender procedures, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).

ACEA adopted a specific Antitrust Compliance Programme and appointed a Holding Antitrust Officer. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of respect for the principles of fair competition and consumer rights. The main Group companies adopted the Antitrust Compliance Programme in line with the indications of the Holding Company and set up organisational structures in which Company Antitrust Officers were appointed, given the task of managing the activities to adapt the Programme to the individual companies and supervise its implementation and maintenance.

Regulatory risks also include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14001: 2015 and ISO 45001:2018), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.

Following the introduction of some crimes that expand the catalogue of predicate offences capable of triggering the responsibility of the Bodies pursuant to Italian Legislative Decree 231/2001, the ACEA Group has started the progressive updating of the companies' respective organisational models, starting with that of ACEA SpA. In addition, preparations have begun for updating the Model for the law converting Italian Law Decree no. 124/2019 of 17 December 2019 that came into force on 25 December 2019, which introduced some tax crimes among the predicate offences pursuant to Italian Legislative Decree 231/01, and Italian Legislative Decree 75 of 14 July 2020 transposing the “PIF Directive”.

As part of the general Group Whistleblowing Procedure aimed at regulating the system with which anyone can make voluntary and discreet whistleblowing reports, guaranteeing the confidentiality of the identity of the whistleblower and thus protecting him/her from any retaliation, the rules governing Whistleblowing relating to unlawful conduct have been updated, also pursuant to Italian Legislative Decree 231/01 and/or violations of the 231 Model, expanding the possible channels of communication to include a specific IT platform, accessible by everyone (employees, third parties, etc.) on the website of each Group Company, and by employees of the Italian Companies of the Group having access to the company's Intranet.

It should be noted that some consolidated companies (Areti, ACEA OTA2, Acea Elaborasi and Acea Ambiente), as more fully illustrated in the related financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/01 concerning safety and/or the environment. There are also complaints for corporate offences relating only to ACEA OTA5, related to investigations and proceedings for significant cases pursuant to Italian Legislative Decree 231/01 concerning the environment and corporate crimes. In particular, with regard to corporate offences, case 2031/16 relates to financial years 2015, 2016 and 2017 and alleges that the crimes of accounting fraud and filing fraudulent financial statements were committed by the Chairpersons of the Company and the representatives of the supervisory body of this company. During 2020, notification was received that the preliminary investigations had been completed, pursuant to art. 415 bis.

Following the hearing on 10 February 2023, the Judge of the Court of Frosinone, accepting the Company's requests, ruled that the case could not proceed against the directors of ACEA Ato5 given a lack of grounds for the crimes of:

- Fraud in public services (water service tariffs);
- Impeding public tenders - Disruption of freedom in the choice of the contracting party;

- Embezzlement.

The Judge also declared their lack of jurisdiction, referring to the Court of Rome the crimes of:

- Fraudulent financial statements;
- Inhibiting the exercising of the functions of the authority;
- Tax crimes with reference to income taxes.

On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company ACEA, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.

Finally, other additional regulatory risks that may potentially be of particular relevance for the ACEA Group include those arising from the Privacy Regulation (EU) 2016/679 GDPR.

The ACEA Group's compliance programme has made it possible to define and implement a Privacy Governance Model that is valid for the Group, taking the Parent Company as a privileged area of observation in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at the Companies with a logic of priority at the core processes of each business area. The online training programme offered using an e-learning platform has been extended to Companies to provide a *first layer* of compliance with the obligation for Data Controllers to instruct data processing personnel, providing them with training on individual corporate processes as well as a particular focus on cross-cutting procedures (HR, Legal, etc.).

Corporate working groups have been set up to customise the Group Model in the individual companies, with effects on the implementation and/or fine-tuning of processes having a high impact on privacy, and initiatives have also been carried out to test compliance solutions already adopted.

Commercial and Trading Segment

With reference to the Commercial and Trading segment, the companies of the segment, in carrying out their sales activities on the electricity and gas free market, are fully exposed to the risk deriving from competition. In particular, there is the risk connected with potential economic and financial damage due to the progressive concentration of the electricity and gas market, i.e. the reduction in the number of competitors and the increase in their respective market shares, which would penalise the positioning of sales companies on the market (market share too low for the same number of customers), in the event of failure to align with the growth trend of the main competitors. Companies in this segment are also exposed to the risk of potential economic/financial impacts due to partial efficacy of commercial initiatives, intended to strengthen and increase the customer base and the margins of the companies.

Additionally, with reference to commodities, note the risk linked to potential economic/financial damage due to changes in the macroeconomic situation, including those associated with the Russia/Ukraine conflict or extreme weather events and anomalies observed recently, which could, in the first case, lead to extreme volatility in commodities prices, with negative consequences on commercial and procurement trends and, in the second case, create unexpected significant variations in consumption of electricity and natural gas by customers.

With reference to the greater protection electricity service, note risks associated with changes in the reference regulation situation, which could have a significant impact on growth of the customer base, due to the disadvantages position relative to operators working solely on the free market, in that the greater protection segment still represents 40% of the customer base for Group companies, even if significant growth in customers served through the free market in recent years. This situation carries the risk of Acea Energia being penalised due to: (i) the inability to perform and commercial activity with regard to customers of the Electricity Service for the standard-offer market; (ii) being conditioned by tariffs regulated by revenues and margins of the Electricity Service for the standard market; (iii) exposure of a significant portion of its customer base to the impacts of policies that were adopted with a view to moving away from the Electricity Service for the standard market (Gradual protection auctions).

In the context of Acea Energia's operating activities which, as a commercial company, are the single point of contact for end customers, both for the electricity and gas free market and for the Electricity Service for the standard-offer market, there is risk linked to the possibility of inadequate levels of performance on the part of Distributors, with consequent impacts on the sales company.

In order to ensure the success of the development initiatives envisaged in the Business Plan, the Segment companies have launched change management projects, mitigating the risks associated with the non-involvement of all personnel (staff and line personnel, managers and others).

The Segment Companies also have typical business risks deriving from an efficient and effective management of billing and credit collection procedures, where it is affected by the sub-optimal performance of electricity and gas distributors.

Information about commodity price risk and the control tools adopted is provided in the financial risks section.

Energy Infrastructure

Areti, making use also of the support and assistance of the Acea S.p.A. Risk & Compliance Unit in managing the process and of the instruments of the Enterprise Risk Management system implemented in the corporate Group, carries out periodically and in a structured way an activity of identifying and assessing the main risks that can have a significant impact on the achievement of the business objectives deriving from the strategic, industrial, financial and sustainability plans.

In this regard, in compliance with the provisions of the Group Regulatory System, at the Board of Directors' meeting held on 10 May 2022, the company approved the "LG_RM01_v.2.0 QASE" - Group Enterprise Risk Management Governance Guidelines" approved by the Board of Directors of Acea on 14 March 2022, which regulate the roles, responsibilities of the parties involved and control activities related to Enterprise Risk Management (ERM).

In January, preparation of the 2023 ERM programme was completed, with identification of a high risk scenario, associated with the concrete appearance of cyber threats, exposing the Company's OT systems to compromised availability, integrity and confidentiality

for data with reference to Industrial Control Systems (ICS), with potential damage in terms of business interruptions (due to alteration/unavailability of technical or administrative processes), data/infrastructure impairment (alteration of logical or physical infrastructure) and breaches in terms of regulatory compliance (e.g. the General Data Protection Regulation (GDPR), Network and Information Security (NIS) and the national cybernetic security perimeter).

areti has already adopted preventive measures and will implement further projects in line with the best available technology and in compliance with current legal provisions.

Generation Segment

The main operational risks associated with the activities of companies in the Area may relate to property damage (damage to assets, adequacy of suppliers, negligence), personal injury and damage arising from information systems and external events.

Acea Produzione, the main company in this segment, has taken steps to deal with operational risks, since it began operating, taking out policies with leading insurance institutions for property damage, third party liability, employee accident policy and finally, following the Covid-19 health emergency, a specific dedicated insurance policy.

Acea Produzione pays particular attention to the training of its employees, through in-person, virtual and on-line training courses, in order to make field operators and all corporate management responsible for working safely, respecting the environment and ecosystems, with ethical appropriateness and with a view to eco-sustainability.

Acea Produzione also develops and defines internal organisational procedures aimed at describing the activities and business processes of production sites/operating units where it specifies the matrix of responsibility and the context and the applicable legislation of reference; In addition, it draws up its own operating instructions for the field, which show how recurring maintenance work is to be carried out, relating the technical operating specifications to the safety guidelines to be used in operations.

The above is also realised through the implementation of an Integrated Environment and Safety Management System (hereinafter SYSTEM), adopted by the Company pursuant to ISO 14001:2015 and ISO 45001:2018, certified by an accredited external control body. Extension of ISO9001:2015 norms to SYSTEM has begun, for specific corporate processes (distribution and sales of the “thermal energy” vector), with achievement of the relative STAGE 1, which will be completed in the first half of 2023, and then extending certification to the remaining scope of application within the Company by December 2023.

SYSTEM is intended to be a tool to:

- protect health and safety in the workplace and throughout the supply chain;
- protect the environment and biodiversity in ecosystems of interest;
- promote rational and knowledgeable use of energy sources and raw materials;
- promote a culture of quality and energy savings;
- achieve customer satisfaction;
- ensure continuous and proactive dialogue with other interested parties.

All this is specifically outlined in the SYSTEM policy, as declared and adopted by Acea Produzione.

Acea Ambiente

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that present the risks typically related to the construction of complex industrial infrastructure (construction and performance defects).

The Orvieto plants, and more recently Aprilia and Monterotondo, have completed major upgrading of their recovery processes for composting purposes, while the Sabaudia and Chiusi plants are undergoing major expansion and upgrading work that is currently being authorised (the former) or has just been authorised (the latter).

With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the production of electricity under incentive programmes and the provision of public services, could have significant negative repercussions. This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity.

The waste-to-energy plants, as well as waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area.

These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management.

Moreover, the plants and the related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

Information Technology risks

For years now ACEA has followed a development path focused on the use of new technologies as a driving force for the operational efficiency, safety and resilience of its industrial assets. The main business processes are now all supported by the use of advanced information systems, implemented and managed by the Group's centralised departments to support the operations of the various companies. In this sense, the Group is therefore exposed to the risks of the adequacy of the IT infrastructure to the current or future needs of the various businesses, as well as to the risks of unauthorised access to the data processed using IT procedures, with or

without intent, and in any case inappropriate or not in compliance with current regulations. ACEA manages these risks with the utmost attention through specific corporate compliance structures coordinated by specialised Group safeguards.

As far as cyber security of systems, infrastructure, networks and other electronic devices is concerned within the scope of the services provided or the respective Group Companies, the current procedural and technological safeguards of the Companies themselves are implementing all the necessary actions to align their cyber security posture with the main national and international industry standards in order to increase their resilience to risks of this nature, possible repercussions in terms of business interruption and regulatory non-compliance. Technological and organisational measures have been implemented with the aim of:

- managing the threats to the organisation's network infrastructure and information systems in order to ensure a level of security appropriate to the existing risk;
- Preventing accidents and minimising their impact on the security of the network and information systems used to provide services, so as to ensure their continuity.

To that end, note that on 2 February 2023 Acea was the victim of a Ransomware hacker attack, which affected all Corporate IT services. Essential services (including electricity and water distribution) were not impacted; with reference to work stations, only a few units were compromised, thanks to the anti-malware technology installed. Concurrent with analysis, existing security measures were strengthened and recovery was begun, including restoration of full backups, which led to a gradual recovery of functioning for all systems/services. The event involved the compromising of the company's non-structured data repository with an impact on availability. Together with internal analysis, an investigation by the Public Prosecutor of Rome was launched and is still under way, utilising the bodies of the CNAIPIC Postal Police - PG to analyse the incident. The event also saw subsequent online publication of corporate files illegally extracted during the attack. Given that personal data was included in these, a corporate Data Breach procedure was launched, with consequent notification of the Personal Data Protection Authority (GPDP), which began an inspection process still under way, including requests for information and documentation linked to the notifications made. Acea promptly implemented all the procedures necessary to comply with the Privacy regulations. In particular, the GPDP received a preliminary notification by the deadline of 72 hours after the event was identified. Subsequently, two supplementary notifications were sent, followed by a third on 21 April, completing the notification process and providing evidence of the results of the analysis carried out.

That being established, acknowledging the fact that the inspection is not yet complete, and also that the Authority has the right to request further information through requests and investigatory actions, at present it is not possible to predict, based on currently available information, whether the Authority will apply any sort of fine or sanction, nor the relative amount, as in the communication made through Acea's request through a third party.

The event did not require any adjustments to the data and information utilised in the preparation of the Acea Group's condensed consolidated interim financial statements at 30 June 2023.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market Risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- **Volume Risk:** the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea S.p.A. ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea "Guidelines for the Internal Control and Risk Management System" and Acea "Guidelines for Risk Management For Commodity Trading in Futures Markets", approved by the Board of Directors on 14 March 2022, as well as the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- Every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- Every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to ACEA's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of ACEA Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Commodity trading on futures markets is intended to satisfy expected needs deriving from electricity and gas sales contracts relative to end customers.

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the ACEA Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the ACEA Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

Interest rate risk

The ACEA Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the ACEA 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 ACEA 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.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Liquidity risk

The Group policy for managing liquidity risk, for both ACEA and its subsidiaries, involves the adoption of a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity and assignment level that can meet short/medium-term financial requirements, while maintaining an appropriate balance between maturity and composition of debt, also taking into account the challenging objectives set out in the Business Plan in terms of developing new M&A initiatives. The various elements of uncertainty faced by the Group include the potential economic, financial and reputational impacts associated with the closing of or failure to close the aforementioned transactions. The ACEA Group has therefore adopted an articulated and structured assessment process for these risks, carried out in close coordination between the companies and the Parent Company's organisational controls of the individual types of risk.

The liquidity risk management process, which uses financial planning tools for outflows and receipts implemented at the level of the individual companies under the coordination of specific Group oversight, aimed at optimising the management of treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

Credit risks

Credit risk is associated with the possibility that a commercial counterparty is non-compliant, not honouring their commitments in line with the methods and schedules contractually established. This type of risk is managed by the Acea Group through specific procedures, prepared in line with the Group's Credit Policy and with appropriate mitigation actions.

The Credit Check system, which has been operating in unregulated markets for several years and with which all new mass market and small business customers are checked through customised scorecards, is integrated with user management system.

The scorecard and acceptance rules, updated in 2022, continued to be utilised in the first half of 2023, with additional refinements made following backtesting analysis.

The assessment of Large Business customers is managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply.

The dynamic management of recovery strategies is carried out in the billing system for active customers, based on their relative payment habits (performance scorecard) and through a dedicated management system for those discontinued.

The structures of the individual companies responsible for credit management are coordinated by Acea's Corporate Credit unit, which guarantees end-to-end control of the entire process.

The mass management of active and inactive receivables of a limited amount was carried out by the operating companies, leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of inactive customers with significant amounts due. As a result of these interventions, in recent years the ACEA Group significantly improved its collections capacity both in terms of electricity sales and the water supply business.

The reference economic situation in the first half of 2023 saw, on one hand, a reduction in energy prices with respect to the highest values seen in 2022 due to the energy crunch and, on the other, a significant increase in interest rates and continued inflationary pressures.

The combination of the above phenomena did not have any significant effects on the ability of the main companies in the Group to collect sums, which remained high and did not display any particular problems.

When determining this amount, the measurement criteria and stress scenarios applied when calculating the provision for doubtful receivables in December 2022 were substantially unchanged, deriving from the adoption of satellite models and macroeconomic forecasts received from a primary information provider and intended to anticipate potential future impairment in the quality of the receivables portfolio.

Consistent with the above, the Group continues to focus its attention on credit risk, made concrete through constant monitoring of collection ability and the activity performed by working groups intended to ensure the utmost efficacy for actions to prevent and mitigate unpaid amounts.

As in previous years, this year the Group has also set up non-recourse, revolving and spot transactions, of receivables from private customers and public administrations. This strategy exposes the Group to the risks involved in closing or failing to close these operations, and on the other hand allows the full derecognition of the corresponding assets subject to disposal from the financial statements since all the risks and benefits associated with them have been transferred.

Trade receivables are shown in the financial statements net of any impairment; it is held that the value shown expresses an accurate representation of the presumed realisable value of total trade receivables.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

ACEA's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Negative	15/03/2023
Moody's	Baa2	Na	Negative	09/08/2022

Business outlook

The first half of 2023 continued with the positive trend seen in the last six months of the previous year, with positive adjusted consolidated EBITDA and operating cash flow, up with respect to the same period the previous year.

In a context that remains complex, due to geopolitical turbulence in Eastern Europe and the consequent economic and social effects, the Group will continue in coming months to implement its strategy focussing on the development of sustainable infrastructure in regulated contexts, with the aim of maintaining a solid financial structure and continuing to generate positive impacts on operating and economic performance.

Condensed Consolidated Interim Financial Statements of the ACEA Group as at 30 June 2023

Form and Structure

General information

The Consolidated Interim Financial Statements at 30 June 2023 of the ACEA Group were approved by Board of Directors' resolution on 25 July 2023, which also authorised their publication. The Parent Company ACEA is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The ACEA Group's principal operating segments are described in the Report on Operations.

Compliance with IAS/IFRS

This Consolidated Interim Financial Report, drafted on a consolidated basis, has been drawn up in compliance with the international accounting standards effective on the reporting date, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Art. 9 of Italian Legislative Decree no. 38/2005 in its final stages. The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

Basis of presentation

This Consolidated Interim Financial Report consists of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Statement of Changes in Consolidated Shareholders' Equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The consolidated income statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method.

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

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

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

Definition of alternative performance measures

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

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

- For the Acea Group, the EBITDA is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding Operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- financial debt is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings ("Short-term loans", "Current part of long-term loans" and "Current financial liabilities") and long-term borrowings ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities"), net of "Cash and cash equivalents" and "Current financial assets";
- the net financial position is an indicator of the ACEA Group's financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities

other than equity investments), Current financial payables and other Current financial liabilities net of current financial assets and Cash and cash equivalents;

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

Use of estimates and assumptions

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

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

Consolidation policies, procedures and scope

Consolidation policies

Subsidiaries

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

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

According to accounting standard IFRS 10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance.

Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.

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

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the ACEA Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

According to IFRS 11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement.

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

Associates

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

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

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

When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the

associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment test together with the value of the investment.

Consolidation procedures

General procedure

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

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

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

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

Business combinations

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

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS 5 and accounted for at fair value net of costs to sell.

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

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised according to the provisions included in IFRS9, in the income statement or among the other components of the comprehensive income statement.

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

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

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

It is specified that the price allocation process is provisionally allocated to assets and liabilities and definitively accounted for within 12 months from the date of acquisition as required by IFRS 3.

Business combinations involving solely entities under common control

Business combinations which involve companies which are, definitively, under the control of the same company or the same companies both before and after the combination, and this control is not temporary, are classified as "Business Combinations of entities under common control". These are excluded from the scope of application of IFRS 3, nor are they governed by other IFRS. In the absence of a relevant accounting standard, the selection of the accounting standard for these transactions, relative to those for which a significant influence on future cash flows cannot be demonstrated, is guided by the principle of prudence, which leads to the application of the criteria of continuity of values for the net assets acquired. Assets are recognised at the book values found in the accounts of the companies acquired (or that of the selling company) prior to the transaction or, alternatively, the values found in the consolidated financial statements of the common parent company. Particularly with reference to the above transactions, relative to the sale of a business unit, treatment of the difference between the contractually defined payment and the accounting value of the business transferred is differentiated as a function of the equity investment relationships between the entities involved in the transfer. Relative to transfers of business units under common control, on the other hand, regardless of the pre-existing investment relationship, the transferring entity must recognise the business transferred at its historic accounting value, increasing its shareholders' equity by the same amount. The receiving entity must symmetrically recognise the equity investment in the transferring entity for an amount equal to the increase in the shareholders' equity of the latter. This accounting treatment makes reference to that proposed by Assirevi in its Preliminary Guidelines on IFRS (OPI n. 1 Revised) - "Accounting treatment of business combinations of entities under common control in annual and consolidated financial statements", issued in October 2016.

Consolidation procedure for assets and liabilities held for sale (IFRS 5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS 5.

Treatment of put options for shares of subsidiaries

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

Consolidation of foreign companies

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

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

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

Scope of consolidation

The ACEA Group's Consolidated Interim Financial Report includes the financial statements of the Parent Company, ACEA, and the financial statements of the Italian and foreign subsidiaries, for which, in accordance with the provisions of IFRS 10, there is exposure to the variability of returns and of which a majority of voting rights in the ordinary meetings is held, either directly or indirectly, and consequently the ability to influence the investee returns by exerting management power. Furthermore, the companies on which the Parent Company exercises joint control with other shareholders are consolidated using the equity method.

Compared to 30 June 2022 the following changes occurred in the consolidation scope:

- on 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste;
- at the end of March 2022, Acea finalised the sale of the photovoltaic holding company (Acea Sun Capital) to the British investment fund Equitix. The agreement for the transfer of assets was signed on 24 December 2021. With the closing of the operation, the newco AE Sun Capital S.r.l., 60% owned by Equitix and 40% by Acea Produzione, acquired from Acea Produzione the photovoltaic holding company of the Acea Group, the holder, through a number of vehicles, of a portfolio of photovoltaic plants, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network;
- on 1 April 2022, a purchase agreement was signed by Adistribuzionegas for 30% of Romeo Gas as part of the sale by A2A of concessions for the natural gas distribution service;
- on 23 May 2022, Acea Ambiente signed the deed of acquisition for an additional 20% of the shares in Cavallari, bringing its stake to 80%;
- on 30 June 2022, the acquisition by Acea Ambiente of the business unit known as Polo Cirsu was signed after participation in the competitive bidding process begun with the notice of sale issued by the Court of Teramo. This business unit consists of: (i) a landfill known as “Grasciano1”, completely depleted of authorised volumes; (ii) a landfill known as “Grasciano2”, consisting of an first lot of 234,000 M3 and a second lot to be built, with an authorised volume of 246,000 M3; (iii) a recycling and composting plant and a platform to utilise separate waste;
- on 29 July 2022, Acea Solar signed the purchase of 17 vehicle companies in the Basilicata region (Marmaria Group), each the holder of development projects for ground-mounted monoaxial photovoltaic plants. The total power is estimated at 338 MWp, with annexed storage systems for 170 MWp of power;
- on 1 September 2022, Acea Renewable 2 S.r.l. and Fergas Solar 2 S.r.l. were established, both fully held by Acea Solar to complete the transfer of photovoltaic assets for plants constructed in the industrial and agricultural area. The establishment of the two companies is part of the project to deconsolidate the photovoltaic segment, begun on 22 March 2022, and which calls for a second closing, involving the transfer of plants that will be connected and operating on the date of the transaction;

- on 1 October 2022, the partial demerger of Romeo Gas S.p.A. was completed, implemented through the assignment of equity shares in favour of Adistribuzione Gas. The purpose of the operation is part of an overall corporate reorganisation which guarantees a more efficient management of gas distribution concessions;
- on 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi S.r.l., a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of Municipalities, entities and businesses;
- on 3 November 2022, Acea Ambiente, through its subsidiary Cavallari S.r.l., completed acquisition of 100% of Italmacero S.r.l., a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste;
- on 22 November 2022, the reverse merger by incorporation of AE Sun Capital with the subsidiary Acea Sun Capital was complete. The merger is part of an investment project involving the renewable energy sector and was implemented to achieve advantages through unification of processes, structures, achieving synergies and economies of scale, as well as cost efficiencies;
- on 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, as already mentioned in the main events of 2023;
- on 19 December 2022, DROPMI S.r.l. was established, which carries out research and engineering for next generation water metres, that can operate and be monitored remotely, and also develops smart water solutions for the domestic and international markets.

Unconsolidated equity investments

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

Accounting standards and measurement criteria

Measurement criteria

The accounting standards and criteria for reporting and evaluation adopted for the presentation of the Consolidated Interim Financial Report are those adopted to draft [sic]

Accounting standards, amendments and interpretations applicable after closure of the year and not adopted in advance by the Group

“Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

Issued on 9 December 2021, it allows for use of the transitional option relative to comparative information on financial assets upon first time application of IFRS 17. The option allows entities to reclassify, in comparative information and individually, all financial instruments that fall under the scope of the standard, to avoid accounting mismatches with respect to the classification envisaged under international accounting standard IFRS 9. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

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

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

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

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

“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 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.

“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 avoiding or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

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

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

Consolidated Income Statement

	€ thousand	30/06/2023	Of which related party transactions	30/06/2022	Of which related party transactions	Change
1	Revenue from sales and services	2,219,783		2,256,818		(37,035)
2	Other revenue and proceeds	76,387		90,846		(14,459)
	Consolidated Net Revenue	2,296,170	85,340	2,347,664	61,354	(51,494)
3	Staff costs	174,787		152,687		22,101
4	Costs of materials and overhead	1,464,003		1,528,511		(64,508)
	Consolidated Operating Costs	1,638,790	30,455	1,681,197	33,600	(42,407)
5	Net Income/(Expense) from commodity risk management	0		0		0
6	Profit / (loss) from non-financial equity investments	13,002		16,020		(3,018)
	EBITDA	670,381	54,885	682,487	27,754	(12,105)
7	Net write-downs (write-backs) of trade receivables	43,865		42,940		926
8	Depreciation, amortisation and provisions	326,487		291,243		35,244
	Operating profit/(loss)	300,029	54,885	348,304	27,754	(48,274)
9	Financial income	18,174	2,428	6,104	757	12,071
10	Financial charges	(85,563)	0	(49,832)	(3,135)	(35,731)
11	Profit/(Loss) on equity investments	723		19,122		(18,399)
	Profit/(loss) before tax	233,363	57,313	323,697	25,375	(90,334)
12	Income tax	71,215		125,655		(54,440)
	Net profit/(loss)	162,148	57,313	198,041	25,375	(35,894)
	Net profit/(loss) from discontinued operations	0		0		0
	Net profit/(loss)	162,148	57,313	198,041	25,375	(35,894)
	Profit/(loss) due to third parties	19,696		15,019		4,677
	Net profit/(loss) attributable to the Group	142,452		183,023		(40,571)
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	<i>Base</i>	<i>0.66890</i>		<i>0.85940</i>		<i>(0.19050)</i>
	<i>Diluted</i>	<i>0.66890</i>		<i>0.85940</i>		<i>(0.19050)</i>
	Profit (loss) per share attributable to the shareholders of the Parent Company net of Treasury Shares					
	<i>Base</i>	<i>0.67021</i>		<i>0.86109</i>		<i>(0.19088)</i>
	<i>Diluted</i>	<i>0.67021</i>		<i>0.86109</i>		<i>(0.19088)</i>

Quarterly Consolidated Income Statement

€ thousand	2Q 2023	2Q 2022	Change
Revenue from sales and services	1,003,777	1,089,650	(85,872)
Other revenue and proceeds	52,528	65,505	(12,977)
Consolidated Net Revenue	1,056,305	1,155,155	(98,850)
Staff costs	87,873	77,957	9,917
Costs of materials and overhead	640,694	721,645	(80,951)
Consolidated Operating Costs	728,567	799,602	(71,035)
Net Income/(Expense) from commodity risk management	0	0	0
Profit / (loss) from non-financial equity investments	6,747	8,732	(1,985)
EBITDA	334,485	364,285	(29,800)
Net write-downs (write-backs) of trade receivables	20,508	21,071	(563)
Depreciation, amortisation and provisions	163,740	148,738	15,002
Operating profit/(loss)	150,237	194,476	(44,239)
Financial income	10,491	2,788	7,703
Financial charges	(44,197)	(24,631)	(19,566)
Profit/(Loss) on equity investments	506	(1,625)	2,131
Profit/(loss) before tax	117,037	171,007	(53,970)
Income tax	36,318	79,848	(43,531)
Net profit/(loss)	80,720	91,159	(10,439)
Net profit/(loss) from discontinued operations	0	0	0
Net profit/(loss)	80,720	91,159	(10,439)
Profit/(Loss) due to third parties	10,866	7,554	3,312
Net profit/(loss) attributable to the Group	69,853	83,605	(13,752)

Consolidated Statement of Comprehensive Income

€ thousand	30/06/2023	30/06/2022	Change
Net profit/(loss) for the period	162,148	198,041	(35,894)
Gains/losses from the conversion of financial statements in foreign currency	369	10,136	(9,767)
Provision for exchange rate difference	15,407	12,201	3,207
Tax on exchange rate difference	(3,698)	(2,928)	(770)
Gains/losses from exchange rate difference	11,710	9,273	2,437
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	(30,407)	8,590	(38,998)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	8,749	(2,001)	10,750
Profit/(loss) from the effective portion on hedging instruments, net of tax	(21,658)	6,589	(28,247)
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	(3,793)	3,614	(7,407)
Tax effect on the other actuarial profit/(loss) on staff benefits	1,115	(1,022)	2,137
Actuarial profit/(loss) on defined benefit pension plans, net of tax	(2,678)	2,592	(5,270)
Total of the comprehensive income components, net of tax	(12,258)	28,589	(40,847)
Total comprehensive profit/(loss)	149,890	226,631	(76,741)
Total comprehensive income (loss) attributable to:			
Group	130,663	206,302	(75,638)
<i>Third parties</i>	<i>19,226</i>	<i>20,329</i>	<i>(1,103)</i>

Quarterly Consolidated Statement of Comprehensive Income

€ thousand	2Q 2023	Q3 2022	Change
Net profit/(loss) for the period	80,720	91,159	(10,439)
Gains/losses from the conversion of financial statements in foreign currency	1,572	5,638	(4,066)
Provision for exchange rate difference	11,770	7,924	3,846
Tax on exchange rate difference	(2,825)	(1,902)	(923)
Gains/losses from exchange rate difference	8,945	6,022	2,923
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	(50,931)	17,112	(68,043)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	14,068	(5,384)	19,452
Profit/(loss) from the effective portion on hedging instruments, net of tax	(36,863)	11,727	(48,591)
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	(3,389)	1,466	(4,855)
Tax effect on the other actuarial profit/(loss) on staff benefits	1,007	(526)	1,532
Actuarial profit/(loss) on defined benefit pension plans, net of tax	(2,382)	940	(3,322)
Total of the comprehensive income components, net of tax	(28,728)	24,327	(53,056)
Total comprehensive profit/(loss)	51,991	115,486	(63,495)
Total comprehensive income (loss) attributable to:			
<i>Group</i>	41,075	105,037	(63,962)
<i>Third parties</i>	10,916	10,449	467

Consolidated Statement of Financial Position

	30/06/2023	<i>of which with related parties</i>	31/12/2022	<i>of which with related parties</i>	Change
14 Tangible fixed assets	3,220,131		3,144,250		75,881
15 Real estate investments	2,122		2,256		(134)
16 Goodwill	264,162		255,048		9,114
17 Concessions and rights on infrastructure	3,625,446		3,470,906		154,540
18 Intangible fixed assets	421,852		420,191		1,661
19 Copyright	107,417		90,397		17,020
20 Equity investments in unconsolidated subsidiaries and associates	359,716		348,884		10,832
21 Other equity investments	3,020		3,007		13
22 Deferred tax assets	209,423		179,823		29,600
23 Financial assets	25,842	3,235	30,531	4,865	(4,689)
24 Other non-current assets	644,150		615,144		29,007
Non-current assets	8,883,281	3,235	8,560,435	4,865	322,847
25 Inventories	123,805		104,507		19,298
26 Trade receivables	1,219,134	73,500	1,267,445	61,714	(48,311)
27 Other current assets	465,755		458,780		6,976
28 Current tax assets	71,942		26,296		45,645
29 Current financial assets	729,592	137,996	342,085	117,998	387,507
30 Cash and cash equivalents	277,699		559,908		(282,208)
Current assets	2,887,928	211,496	2,759,022	179,712	128,906
31 Non-current assets destined for sale	20,823		19,076		1,747
TOTAL ASSETS	11,792,033	211,496	11,338,532	179,712	453,500
	30/06/2023	<i>of which with related parties</i>	31/12/2022	<i>of which with related parties</i>	Change
Share capital	1,098,899		1,098,899		0
Legal reserve	157,838		147,501		10,337
Other reserves	97,834		27,743		70,091
Retained earnings/(losses)	756,387		737,400		18,986
Profit (loss) for the year	142,452		279,725		(137,273)
Total Shareholders' Equity for the Group	2,253,409		2,291,268		(37,859)
Third parties Shareholders' Equity	475,729		463,975		11,754
32 Total Shareholders' Equity	2,729,138		2,755,242		(26,104)
33 Staff termination benefits and other defined benefit plans	110,273		112,989		(2,715)
34 Provisions for risks and charges	304,375		218,025		86,351
35 Borrowings and financial liabilities	5,399,686		4,722,263		677,423
36 Other non-current liabilities	440,899		399,628		41,271
Non-current liabilities	6,255,234	0	5,452,905		802,329
37 Borrowings	405,885	156,997	619,418	108,523	(213,532)
38 Payables to suppliers	1,686,599	24,583	1,849,980	41,985	(163,381)
39 Tax payables	8,574		26,810		(18,236)
40 Other current liabilities	704,108		632,259		71,849
Current liabilities	2,805,166	181,580	3,128,466	150,508	(323,300)
41 Liabilities closely associated with assets held for sale	2,495		1,919		576
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,792,033	181,580	11,338,532	150,508	453,500

Consolidated Cash Flow Statement

Ref. Note	€ thousand	30/06/2023	Related parties	30/06/2022	Related parties	Change
CASH FLOW FROM OPERATING ACTIVITIES						
	Profit before tax	233,363		323,697		(90,334)
8	Depreciation/amortisation and impairment losses	322,750		285,226		37,524
6-7	Revaluations/Impairment charges	30,141		7,799		22,342
34	Increase/(decrease) in provisions for liabilities	(4,861)		4,997		(9,859)
33	Net change in the provision for employee benefits	(8,630)		(12,572)		3,941
	Net financial interest	67,389		43,729		23,661
	Income taxes paid	(57,818)		(28,786)		(29,032)
	Cash flow generated by operating activities before changes in working capital	582,333	0	624,090	0	(41,756)
26-27	Increase/Decrease in receivables included in current assets	4,446	(11,785)	(113,800)	(42,662)	118,245
38-40	Increase/Decrease in payables included in the working capital	(153,494)	(17,403)	(30,644)	28,078	(122,850)
25	Increase/Decrease in inventories	(19,298)		(10,857)		(8,441)
	Change in working capital	(168,347)	(29,188)	(155,301)	(14,584)	(13,045)
	Change in other assets/liabilities during the period	110,099		(82,816)		193,258
	<i>Cash flow from operations of Disposal Groups/Assets held for sale</i>	0		0		0
	TOTAL CASH FLOW FROM OPERATING ACTIVITIES	524,086	(29,188)	385,973	(14,584)	138,457
CASH FLOW FROM INVESTMENT ACTIVITIES						
	Purchase/sale of tangible fixed assets	(171,871)		(170,101)		(1,770)
	Purchase/sale of intangible fixed assets	(375,811)		(300,117)		(75,694)
20-21	Equity investments in unconsolidated subsidiaries and associates	(47,814)		106,418		(154,232)
	Collections/payments deriving from other financial investments	(383,424)	(18,368)	(114,318)	(24,799)	(269,106)
	Dividends received	344	344	3,381	3,381	(3,381)
	Interest income received	18,174		7,703		10,471
	<i>Cash flow from investments of Disposal Groups/Assets held for sale</i>	0		0		0
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(960,403)	(18,024)	(467,034)	(21,417)	(493,713)
CASH FLOW FROM FINANCING ACTIVITIES						
37	Repayment of mortgages and medium/long-term borrowings	(342,571)		(36,483)		(306,088)
37	Provision of mortgages/other medium/long-term loans	700,000		250,000		450,000
35	Decrease/Increase in other financial debts	14,869	48,475	(49,325)	84,698	64,194
	Interest expense paid	(83,396)		(51,077)		(32,319)
	Dividends paid	(134,793)	(134,793)	(88,282)	(88,282)	(46,511)
	<i>Cash flow from loans of Disposal Groups/Assets held for sale</i>	0		0		0
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	154,109	(86,319)	24,834	(3,584)	129,275
CASH FLOW FOR THE PERIOD						
	Net opening balance of cash and cash equivalents	559,908	(133,531)	680,820	(39,585)	(225,981)
	Cash availability from acquisition	0		1,004		(1,004)
	NET CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	277,699		625,596		(347,896)
	<u>Cash and cash equivalents at the end of the period</u>					
	<i>Disposal Groups/Assets held for sale</i>	0		47		(47)
	<u>Cash and cash equivalents at the end of the period</u>					
	<i>Continuing Operations</i>	277,699		625,549		(347,849)

Consolidated Statement of Changes in Shareholders' equity

€ thousand	Share capital	Legal reserve	Valuation reserve for employee defined benefit plans net of tax	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' Equity for the Group	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2023	1,098,899	147,501	(14,329)	44,825	16,592	718,056	279,725	2,291,268	463,975	2,755,242
Income statement profit	0	0	0	0	0	0	142,452	142,452	19,696	162,148
Other comprehensive income (loss)	0	0	(2,643)	(21,188)	12,043	0	0	(11,789)	(469)	(12,258)
Total comprehensive income (loss)	0	0	(2,643)	(21,188)	12,043	0	142,452	130,663	19,519	150,182
Allocation of result for 2022	0	10,337	0	0	0	269,388	(279,725)	0	0	0
Distribution of dividends	0	0	0	0	0	(180,666)	0	(180,666)	(5,564)	(186,230)
Change in consolidation scope	0	0	45	(68)	(2)	0	0	(25)	(1,682)	(1,707)
Other changes	0	0	18	(18)	0	12,169	0	12,169	(226)	11,942
Balance at 30 June 2023	1,098,899	157,838	(16,910)	23,551	28,632	818,947	142,452	2,253,409	475,729	2,729,138

€ thousand	Share capital	Legal reserve	Valuation reserve for employee defined benefit plans net of tax	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' Equity for the Group	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2022	1,098,899	138,649	(18,234)	(4,754)	2,048	594,055	313,309	2,123,971	392,449	2,516,420
Income statement profit	0	0	0	0	0	0	183,023	183,023	15,019	198,041
Other comprehensive income (loss)	0	0	2,067	1,840	19,372	0	0	23,279	5,310	28,589
Total comprehensive income (loss)	0	0	2,067	1,840	19,372	0	183,023	206,302	20,329	226,631
Allocation of result for 2021	0	8,852	0	0	0	304,457	(313,309)	0	0	0
Distribution of dividends	0	0	0	0	0	(180,666)	0	(180,666)	(6,713)	(187,379)
Change in consolidation scope	0	0	(1)	(596)	1	(854)	0	(1,450)	838	(612)
Other changes	0	0	0	0	0	(720)	0	(720)	55	(665)
Balance at 30 June 2022	1,098,899	147,501	(16,168)	(3,510)	21,421	716,272	183,023	2,147,437	406,958	2,554,394
Income statement profit	0	0	0	0	0	0	96,702	96,702	16,416	113,118
Other comprehensive income (loss)	0	0	1,809	48,335	(4,828)	0	0	45,316	3,002	48,318
Total comprehensive income (loss)	0	0	1,809	48,335	(4,828)	0	96,702	142,018	19,419	161,436
Allocation of result for 2021	0	0	0	0	0	0	(0)	0	0	0
Distribution of dividends	0	0	0	0	0	0	0	0	(5,279)	(5,279)
Change in consolidation scope	0	0	31	0	(1)	(1,357)	0	(1,327)	43,005	41,678
Other changes	0	0	0	0	0	3,140	0	3,140	(127)	3,013
Balance as at 31 December 2022	1,098,899	147,501	(14,329)	44,825	16,592	718,056	279,725	2,291,268	463,975	2,755,242

Notes to the Consolidated Income Statement

Consolidated net revenue

At 30 June 2023, these amounted to € 2,296,170 thousand (€ 2,347,664 thousand at 30 June 2022), recording a decrease of € 51,494 thousand compared to the same period the previous year:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Revenue from sales and services	2,219,783	2,256,818	(37,035)	(1.6%)
Other revenue and proceeds	76,387	90,846	(14,459)	(15.9%)
Consolidated Net Revenue	2,296,170	2,347,664	(51,494)	(2.2%)

1. Revenue from sales and services – 2,219,783 thousand

This item recorded a total decrease of € 37,035 thousand (- 1.6%) compared to the same period of the previous year (€ 2,256,818 thousand). The composition of the item is shown below.

€ thousand	30/06/2023	30/06/2022	Change	% Change
Revenue from electricity sales and services	1,158,383	1,280,841	(122,459)	(9.6%)
Revenue from gas sales	104,979	116,292	(11,313)	(9.7%)
Revenue from electricity incentives	74	3,421	(3,346)	(97.8%)
Revenue from the Integrated Water Service	619,218	594,848	24,370	4.1%
Revenue from Overseas Water Services	49,220	43,713	5,506	12.6%
Revenue from waste disposal and landfill operations	122,013	93,026	28,987	31.2%
Revenue from customer services	106,293	85,731	20,563	24.0%
Connection fees	15,795	15,474	321	2.1%
Revenues from sustainable development	43,808	23,472	20,337	86.6%
Revenue from sales and services	2,219,783	2,256,818	(37,035)	(1.6%)

Revenue from electricity sales and services

Amounted at 30 June 2023 to € 1,158,383 thousand and are broken down as follows:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Electricity and heat generation	6,541	7,865	(1,324)	(16.8%)
Electricity sales	873,920	1,088,664	(214,744)	(19.7%)
Transport and metering of energy	274,078	178,574	95,504	53.5%
Sale of energy from Waste-to-energy and Biogas	954	1,667	(713)	(42.8%)
Co-generation	2,889	4,070	(1,182)	(29.0%)
Revenue from electricity sales and services	1,158,383	1,280,841	(122,459)	(9.6%)

The main change refers to the sale of electricity (- € 214,744 thousand) as a result of the increase in unit prices recorded in the first half of 2022 and partly due to lower quantities. Electricity sales on the Free Market totalled 2,724 GWh with a 10.6% decrease on the same period in the previous year, while electricity sales on the Greater Protection Service totalled 624 GWh with a 14.8% decrease on an annual basis.

Revenue from gas sales

Amounted to € 104,979 thousand and recorded a decrease of € 11,313 thousand compared to 30 June 2022 partially as a consequence of the easing of tension in commodity prices and partially due to lower quantities.

Revenue from electricity incentives

Recorded a decrease of € 3,346 thousand compared to 30 June 2022, largely attributable to Acea Produzione in relation to the decrease in revenues for managing the electricity incentive payment (GRIN), due to the different scheduling by the GSE (Gestore dei Servizi Energetici - Energy Services Manager).

Revenue from the Integrated Water Service

As mentioned in the section of the Report on Operations, to which reference should be made for more detailed explanations, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. These revenues amounted in total to € 619,218 thousand and show an increase of € 24,370 thousand (+ 4.1%) compared to the same period of the previous year (€ 594,848 thousand), mainly as a result of the 2022-2023 two-year tariff update. The composition of the item is shown below:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Revenue from water sales	407,447	395,589	11,859	3.0%
Revenue from Water Purification sales	146,180	143,251	2,929	2.0%
Revenue from sewerage sales	58,016	54,799	3,217	5.9%
Other revenue	7,575	1,209	6,366	n.s.
Revenue from the Integrated Water Service	619,218	594,848	24,370	4.1%

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019 and subsequent updates, taking into account the approval of the 2022-2023 tariff provisions which occurred in the meantime. For more details, please see the section “Progress of the procedure for approving tariffs” in this document.

Revenue from Overseas Water Services

These revenues amounted to € 49,220 thousand and show an increase of € 5,506 thousand (€ 43,713 thousand at 30 June 2022). The change was influenced by higher invoiced volumes and a rate increase due to inflation.

Revenue from waste disposal and landfill operations

These revenues amounted to € 122,013 thousand and showed an increase of € 28,987 thousand compared to the same period in the previous year. The breakdown of the item is shown below:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Revenue from waste disposal and transport	12,961	7,088	5,873	82.9%
Revenues from street sweeping and collection	21,471	0	21,471	n.s.
Revenue from selection and processing	15,680	16,474	(794)	(4.8%)
Revenue from landfill management and transport	13,620	16,754	(3,134)	(18.7%)
Revenue from sludge recovery	6,962	8,270	(1,307)	(15.8%)
Revenue from conferment of biomasses	51,318	44,440	6,878	15.5%
Revenue from waste disposal and landfill operations	122,013	93,026	28,987	31.2%

The increase recorded was mainly due to the change in the consolidation scope (+ € 32,960 thousand), as a result of the consolidation of ASM Terni in relation to the sweeping and waste collection service (+ € 21,471 thousand), Tecnoservizi in relation to revenues for waste disposal and transport (+ € 6,069 thousand) and to the consolidation of the “Polo Cirsu” business unit (+ € 5,420 thousand). These increases were offset by lower revenues of Acea Ambiente (- € 5,219 thousand) attributable to the San Vittore, Terni and Orvieto plants as an overall effect of lower energy volumes sold and lower rates.

Revenue from customer services

These amounted to € 106,293 thousand (€ 85,731 thousand at 30 June 2022) and increased by € 20,563 thousand. The composition of the item is shown below:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Public Lighting - Rome	24,868	20,681	4,187	20.2%
Work for third parties	43,369	38,773	4,595	11.9%
Inter-company services	5,366	3,670	1,696	46.2%
Photovoltaic	432	2	430	n.s.
GIP revenue	3,174	3,241	(67)	(2.1%)
Change in inventories	29,085	19,364	9,721	50.2%
Revenue from customer services	106,293	85,731	20,563	24.0%

The increase is partly attributable to the change in scope for + € 2,359 thousand, the increase in SIMAM inventories for € 4,322 thousand linked to multi-year contracts and Acea Innovation (+ € 4,536 thousand) in relation to the change in contract work in progress on energy efficiency and smart services projects, as well as higher revenues realised in relation to the public lighting contract in the Municipality of Rome (+ € 4,187 thousand) due to extraordinary maintenance and security activities.

Connection fees

These amounted to € 15,795 thousand, in line with 30 June 2022 (+ € 321 thousand).

€ thousand	30/06/2023	30/06/2022	Change	% Change
Water connection fees	1,902	2,070	(169)	(8.1%)
Electricity market connection fees	10,251	9,854	396	4.0%
Ancillary revenue	3,643	3,550	93	2.6%
Connection fees	15,795	15,474	321	2.1%

Revenues from sustainable development

These totalled € 43,808 thousand, up by € 20,337 thousand with respect to the same period in the previous year, due to the increase in sales of installation and assistance to customers for activities and services with reference to energy efficiency and smart services projects, mainly attributable to Acea Innovation and Acea Energia.

2. Other revenue and income – € 76,387 thousand

This item increased by € 31,282 thousand compared to 30 June 2022, when the figure was € 156,032 thousand. The following table shows a breakdown of this item:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Contributions from Entities for Energy Efficiency Certificates	2,956	4,606	(1,650)	(35.8%)
Non-recurring gains	11,481	8,376	3,105	37.1%
Other revenue	22,459	48,856	(26,397)	(54.0%)
Refunds for damages, penalties, collateral	10,296	6,057	4,239	70.0%
Feed-in tariff	1,294	4,830	(3,536)	(73.2%)
Regional grants	13,181	5,795	7,385	127.4%
Income from end users	31	32	(2)	(5.1%)
Seconded personnel	507	257	250	97.5%
Real estate income	862	903	(42)	(4.6%)
IFRIC 12 margin	11,540	8,817	2,723	30.9%
Gains on asset disposals	90	109	(19)	(17.8%)
Recharged cost for company officers	328	321	7	2.1%
Premiums for continuity of service	30	180	(150)	(83.3%)
Revenue for disconnections and connections	1,333	1,707	(373)	(21.9%)
Other revenue and proceeds	76,387	90,846	(14,459)	(15.9%)

The change is mainly attributable to the following offsetting effects:

- lower other revenues (- € 26,397 thousand) mainly due to the recognition in 2022 of the technical quality bonus for companies in the water sector (€ 26,937 thousand) for the 2018-2019 period (Resolution 183/2022/R/idr of 26 April 2022);
- lower energy account contributions (- € 3,536 thousand) mainly due to the deconsolidation of the photovoltaic companies;
- reimbursement for damages and penalties (+ € 4,239 thousand) partly attributable to Acea Energia (+ € 1,826 thousand) mainly due to the increase in revenues for CMOR indemnities on the free market;
- higher regional contributions (+ € 7,385 thousand) prevalently due to Gori in relation to the recognition of contributions for Regional Works for the years 2018-2021;
- higher IFRIC12 margin for € 2,723 thousand.

Consolidated operating costs

At 30 June 2023 operating costs amounted to € 1,638,790 thousand (€ 1,681,197 thousand at 30 June 2022) and recorded a decrease of € 42,407 thousand (- 2.5% compared to the same period in the previous year). The breakdown of the item is shown below:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Staff costs	174,787	152,687	22,101	14.5%
Costs of materials and overhead	1,464,003	1,528,511	(64,508)	(4.2%)
Consolidated Operating Costs	1,638,790	1,681,197	(42,407)	(2.5%)

3. Personnel costs – € 174,787 thousand

€ thousand	30/06/2023	30/06/2022	Change	% Change
Personnel costs including capitalised costs	276,021	250,258	25,763	10.3%
Costs capitalised	(101,234)	(97,572)	(3,662)	3.8%
Staff costs	174,787	152,687	22,101	14.5%

The increase in the cost of labour, gross of capitalised costs, is € 25,763 thousand and was in part influenced by the change in the scope of consolidation (+ € 12,394 thousand) and, for the remaining part, for the most part due to the increase in salaries and wages deriving both from new hires and stabilisation carried out in 2022, as well as an effect of the increase in payment components and adjustment of national collective labour contracts. Capitalised costs were slightly higher (+ € 3,662 thousand).

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

End-of-period composition	30/06/2023	30/06/2022	Change	% Change
Environment	876	775	101	13.0%
Commercial and Trading	459	450	9	2.0%
Overseas	2,475	2,455	20	0.8%
Water	3,976	3,487	489	14.0%
Energy Infrastructure	1,268	1,248	20	1.6%
Generation	95	88	7	8.0%
Engineering and services	479	452	27	6.0%
Corporate	720	719	1	0.1%
Total	10,348	9,674	674	7.0%

Average number of employees	30/06/2023	30/06/2022	Change	% Change
Environment	882	778	104	13.4%
Commercial and Trading	459	437	22	5.1%
Overseas	2,531	2,376	155	6.5%
Water	3,989	3,496	493	14.1%
Energy Infrastructure	1,283	1,261	22	1.7%
Generation	97	91	6	7.0%
Engineering and services	478	451	28	6.1%
Corporate	726	713	13	1.8%
Total	10,444	9,602	842	8.8%

4. External costs – € 1,464,003 thousand

This item shows a decrease totalling € 64,508 thousand (- 4.2% compared to 30 June 2022).

€ thousand	30/06/2023	30/06/2022	Change	% Change
Electricity, gas, fuel	990,472	1,124,071	(133,598)	(11.9%)
Materials	75,116	68,107	7,009	10.3%
Services and contract work	306,861	251,407	55,455	22.1%
Concession fees	34,426	33,263	1,163	3.5%
Cost of leased assets	24,229	19,419	4,810	24.8%
Other operating costs	32,898	32,245	654	2.0%
Costs of materials and overhead	1,464,003	1,528,511	(64,508)	(4.2%)

Electricity, gas and fuel

€ thousand	30/06/2023	30/06/2022	Change	% Change
Electricity and gas purchases and transportation	987,539	1,121,076	(133,537)	(11.9%)
White certificates	327	477	(150)	(31.4%)
Green certificates and CO2 rights	2,606	2,518	88	3.5%
Electricity, gas, fuel	990,472	1,124,071	(133,598)	(11.9%)

The decrease in costs to purchase and transport electricity and gas (- € 133,537 thousand) is in line with the decrease in revenues consistent with that already described in detail in relation to price trends.

Materials

The cost of materials amounted to € 75,116 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	30/06/2023	30/06/2022	Change	% Change
Purchase of materials	96,174	90,922	5,252	5.8%
Change in inventories	12,707	9,101	3,605	39.6%
Costs capitalised	(33,764)	(31,916)	(1,848)	5.8%
Materials	75,116	68,107	7,009	10.3%

The increase seen in the item is influenced in part by the change in the scope (+ € 1,194 thousand) and in part by SIMAM (+ € 6,647 thousand); this increase was offset by the decrease in capitalised costs (- € 1,848 thousand).

Services and contract work

These amounted to € 306,861 thousand and increased by a total of € 55,455 thousand (€ 251,407 thousand at 30 June 2022) and can be represented as follows:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Technical and administrative Services (including consulting and collaborations)	27,709	29,489	(1,780)	(6.0%)
Contract work	90,356	46,711	43,645	93.4%
Disposal and transport of sludge, slag, ash and waste	66,164	51,093	15,071	29.5%
Other services	45,536	45,631	(95)	(0.2%)
Personnel services	11,286	10,660	627	5.9%
Insurance costs	7,520	7,605	(85)	(1.1%)
Electricity, water and gas consumption	28,996	25,056	3,940	15.7%
Internal use of electricity	4,927	5,715	(789)	(13.8%)
Telephone and data transmission costs	3,590	3,269	321	9.8%
Postal expenses	1,657	1,524	133	8.7%
Maintenance fees	3,457	7,102	(3,645)	(51.3%)
Cleaning, transport and portorage costs	3,344	3,695	(351)	(9.5%)
Advertising and sponsorship costs	4,995	7,270	(2,274)	(31.3%)
Corporate bodies	2,498	2,226	272	12.2%
Meter readings	1,939	1,949	(10)	(0.5%)
Bank charges	1,873	1,645	228	13.8%
Travel and accommodation expenses	961	801	159	19.9%
Seconded personnel	23	(97)	121	(124.1%)
Printing expenses	31	66	(34)	(52.3%)
Services and contract work	306,861	251,407	55,455	22.1%

The increase is attributable to the change in scope which accounted for €18,401 thousand of it. The remaining portion of the increase is mainly due to greater costs for contract work in relation to energy efficiency (+ € 26,140 thousand) and smart services (+ € 6,145 thousand) projects, and to CMOR costs (+ € 2,896 thousand) in line with that seen in revenues.

Concession fees

Concession fees totalled € 34,426 thousand, in line with the previous year and referring to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Aistribuzione gas	1,429	1,410	19	1.4%
Notaresco Gas	47	47	(0)	(0.2%)
ACEA Ato2	25,902	24,872	1,029	4.1%
ACEA Ato5	1,868	1,720	147	8.5%
Acea Molise	26	26	0	0.0%
Gesesa	175	185	(10)	(5.4%)
Gori	1,222	1,210	12	1.0%
Acquedotto del Fiora	2,426	2,409	16	0.7%
Integrated Water Service	1,249	1,249	0	0.0%
Other	83	134	(26)	(23.8%)
Total	34,426	33,263	1,163	3.5%

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

Cost of leased assets

The item amounted to € 24,229 thousand, increasing by € 4,810 thousand compared to the same period in the previous year (€ 19,419 thousand); the increase is partly due to higher costs for software licenses and partly due to higher easement and state indemnities. In line with IFRS 16, this item contains costs relating to short-term leases and leases of modest value.

Other operating costs

These amounted to € 32,898 thousand at 30 June 2023, an increase of € 654 thousand. The table below provides details of this item by type:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Taxes and duties	9,436	8,755	681	7.8%
Damages and outlays for legal disputes	4,907	3,522	1,385	39.3%
Contributions paid and membership fees	2,272	1,647	625	38.0%
Losses on receivables	500	(69)	569	n.s.
General expenses	8,147	13,866	(5,719)	(41.2%)
Contingent liabilities	7,636	4,524	3,112	68.8%
Other operating costs	32,898	32,245	654	2.0%

The change is due to opposing effects, in particular the decrease in general expenses (- € 5,719 thousand) mainly attributable to Gori as a consequence of lower costs recognised for the component related to the so-called Water Bonus in 2022, offset by an increase in the other items, mostly contingent liabilities and compensation to users.

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

At 30 June 2023, the Group had not subscribed to derivatives to hedge trading operations.

6. Income/(Expenses) from equity investments of a non-financial nature - € 13,002 thousand

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

€ thousand	30/06/2023	30/06/2022	Change	% Change
EBITDA	76,263	75,613	650	0.9%
Amortisation, depreciation, impairment and provisions	(55,792)	(52,096)	(3,696)	7.1%
Financial operations	(2,672)	(1,477)	(1,195)	80.9%
Taxes	(4,797)	(6,020)	1,223	(20.3%)
Income from equity investments of a non-financial nature	13,002	16,020	(3,018)	(18.8%)

The EBITDA of these companies is in line with the same period in the previous year, while income from equity investments fell by € 3,018 and was partly affected by the change in scope pertaining to the deconsolidation of the photovoltaic companies in March 2022. The companies' assessments are detailed below.

	30/06/2023	30/06/2022	Change	% Change
Acea Sun Capital Group	(515)	1,089	(1,603)	(147.3%)
Powertis Group	(14)	0	(14)	n.s.
Energy	201	265	(63)	(23.9%)
Acea Green	416	153	262	170.9%
Romeo Gas	0	228	(228)	(100.0%)
Umbria Distribuzione Gas	113	0	113	n.s.
Acque	5,620	6,365	(745)	(11.7%)
Intesa Aretina	(140)	(233)	93	(39.8%)
Geal	199	1,105	(906)	(82.0%)
Nuove Acque	319	466	(146)	(31.4%)
Publiacqua	5,043	4,726	318	6.7%
Acque Servizi	(206)	213	(420)	(196.6%)
Umbra Acque	1,805	1,287	518	40.3%
Ingegnerie Toscane	160	357	(197)	(55.2%)
Total	13,002	16,020	(3,018)	(18.8%)

7. Net write-downs (write-backs) of trade receivables – € 43,865 thousand

This item increased slightly by € 926 thousand compared to 30 June 2022. Impairment maintained essentially the same impact in terms of total Group revenues (1.9% in June 2023 vs. 1.8% in June 2022); this result, in the absence of any particular issues in amounts collected during the period, is associated with business growth and the confirmation of the “stress scenario” introduced in 2022 for the main Group companies, in order to anticipate potential impairment of customer creditworthiness that may not be identified through current performance but derives from “satellite models” based on macroeconomic and business information.

8. Depreciation, amortisation and provisions – € 326,487 thousand

Compared to 30 June 2022 we can note an increase of € 35,244 thousand. The item can be broken down as follows:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Depreciation/amortisation and impairment losses	322,750	285,226	37,524	13.2%
Provisions	3,737	6,017	(2,281)	(37.9%)
Depreciation, amortisation and provisions	326,487	291,243	35,244	12.1%

Depreciation/amortisation and impairment losses

The increase in depreciation, amortisation and impairment, of € 37,524 thousand, breaks down as follows:

€ thousand	30/06/2023	30/06/2022	Change	% Change
Depreciation	90,718	84,765	5,953	7.0%
Amortisation	230,971	200,018	30,953	15.5%
Impairment losses	1,061	443	618	139.4%
Depreciation/amortisation and impairment losses	322,750	285,226	37,524	13.2%

The increase in this item relates to investments in the period and the ongoing entry into operation of assets with particular reference to the water segment (+ € 15,559 thousand), to Areti (+ € 4,873 thousand) and Acea Energia (+ € 3,590 thousand) deriving from higher investments in application software and contract cost depreciation/amortisation and higher depreciation/amortisation deriving from the change in the consolidation area for € 4,655 thousand of which € 3,306 thousand resulting from the acquisition of the “Polo Cirsu” business unit in June 2022 but with an effect on depreciation/amortisation from November 2022.

It should be noted that the item relating to intangible amortisation also includes the effect deriving from the application of IFRS 16, which amounted to € 10,185 thousand.

Provisions

Net of sums released, provisions amounted to € 3,737 thousand and are divided by type as follows:

	30/06/2023	30/06/2022	Change	% Change
Legal Risks provision	501	2,432	(1,931)	(79.4%)
Tax provision	122	140	(18)	(12.9%)
Regulatory risks provision	1,577	945	632	66.9%
Provision for investees	488	0	488	n.s.
Fee risks provision	15	4	11	n.s.
Tenders and supplies provision	111	86	24	28.4%
Insurance deductibles provision	976	1,497	(521)	(34.8%)
Other risks and charges provision	2,836	1,471	1,365	92.8%
Provisions for risks	6,625	6,576	49	0.7%
Early retirements and redundancies provision	25	25	0	0.0%
Post mortem provision	0	199	(199)	(100.0%)
Provision for Expenses payable to others	185	350	(165)	(47.2%)
Provision Taxes	0	100	(100)	(100.0%)
Expenses provision	210	674	(464)	(68.9%)
Total Provisions	6,835	7,250	(415)	(5.7%)
Release of risks provisions, release of fees provisions	(3,098)	(1,233)	(1,866)	151.4%
Total	3,737	6,017	(2,281)	(37.9%)

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

9. Financial income - € 18,174 thousand

€ thousand	30/06/2023	30/06/2022	Change	% Change
Interest on financial receivables	53	69	(16)	(23.7%)
Bank interest income	161	(18)	179	n.s.
Interest on trade receivables	7,298	4,758	2,540	53.4%
Interest on other receivables	8,326	645	7,681	n.s.
Financial income from discounting to present value	90	123	(34)	(27.3%)
Income from fair value hedges measurement	14	246	(231)	(94.1%)
Other income	2,233	281	1,952	n.s.
Financial income	18,174	6,104	12,071	197.8%

Financial income, totalling € 18,174 thousand, saw an increase of € 12,071 thousand compared to the same period in the previous year, which derived from **i)** the increase in interest income on short-term receivables (+ € 7,681 thousand) of which € 5,990 thousand related to interest income on the Parent Company's short-term deposits; **ii)** greater interest income from customers for € 2,540 mainly attributable to the increase in market rates; **iii)** other financial income (+ € 1,952 thousand) mainly linked to the superbonus obtained on Acea Innovation energy efficiency works.

10. Financial costs - € 85,563 thousand

€ thousand	30/06/2023	30/06/2022	Change	% Change
Costs (Income) on Interest Rate Swaps	1,947	2,816	(869)	(30.9%)
Interest on bonds	38,926	26,976	11,950	44.3%
Interest on medium/long-term borrowings	16,294	7,416	8,878	119.7%
Interest on short-term debt	5,528	1,989	3,540	178.0%
Default interest and interest on deferred payments	6,918	1,701	5,217	n.s.
Interest cost net of actuarial gains and losses	2,168	648	1,520	n.s.
Factoring fees	7,479	2,401	5,078	n.s.
Discounting charges	803	1,783	(980)	(54.9%)
IFRS 16 financial charges	1,577	941	637	67.7%
Other financial charges	1,743	2,475	(732)	(29.6%)
Interest payable to end users	1,599	210	1,389	n.s.
Foreign exchange gains (losses)	581	477	104	21.7%
Financial charges	85,563	49,832	35,731	71.7%

Financial charges, totalling € 85,563 thousand, rose by € 35,731 thousand and the change is mainly attributable to **i)** greater interest on bonds mainly deriving from the new € 700 million issue of the Parent Company (+ € 11,950 thousand); **ii)** greater interest on medium/long-term loans (+ € 8,878 thousand) of which € 6,932 thousand relating to the Parent Company; **iii)** greater interest on short-term bank debt (+ € 3,540 thousand) mainly attributable to Gori; **iv)** greater expenses for commissions on the sale of receivables (+ € 5,078 thousand) and greater expenses for default interest (+ € 5,217 thousand) of which € 4,352 million attributable to Acea Energia.

11. Income / Expenses from Equity Investments - € 723 thousand

€ thousand	30/06/2023	30/06/2022	Change	% Change
Income from equity investments in associates	748	19,264	(18,515)	(96.1%)
(Costs) of shares in related companies	(26)	(142)	116	(81.8%)
Profit/(Loss) on equity investments	723	19,122	(18,399)	(96.2%)

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies. The decrease compared to the same period in the previous year is due to the recognition in 2022 of the capital gain effects from the sale of a group of photovoltaic plants as part of the agreement signed with the British investment fund Equitix. These effects were a consequence of the deconsolidation of discontinued operations at 31 December 2021 and included the provisional measurement of the assets and liabilities related to the second closing, classified under IFRS5, which generated a net capital gain of € 18,829 thousand.

12. Income Tax - € 71,215 thousand

Estimated tax expenses for the period were € 71,215 thousand, compared to € 125,655 thousand in the same period of the previous year. The item is broken down as follows:

- Current taxes: € 92,542 thousand (€ 107,991 thousand at 30 June 2022);
- Net deferred tax liabilities/(assets): - € 21,327 thousand (- € 10,846 thousand at 30 June 2022).

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

€ thousand	30/06/2023		30/06/2022	
Profit/(loss) before tax	233,363		323,697	
Expected tax charge at 24% on profit before tax	56,007	24.0%	77,687	24.0%
Net deferred taxes	(21,327)	(9.1%)	(10,846)	(3.4%)
Permanent Differences	33,504	14.4%	27,103	8.4%
IRES for the period	68,184	29.2%	93,944	29.0%
RAP (regional income tax)	3,031	1.3%	3,200	1.0%
Solidarity Contributions pursuant to article 37 of Decree Law 21/2022 and Law 197/2022	0	0.0%	28,511	8.8%
Total Taxes	71,215	30.5%	125,655	38.8%

The tax rate is 30.5% (38.8% at 30 June 2022); the tax rate for the previous period included the recognition for € 28,511 thousand of the extraordinary solidarity contribution pursuant to article 37 of Decree Law 21/2022 (so-called excess profit contribution), therefore the normalised tax rate was 30.0%.

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to ACEA by the weighted average number of ACEA shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 30 June 2023. Diluted profit per share is calculated dividing profit for the financial year attributable to ACEA by the weighted average number of ACEA shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 30 June 2023 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.

Earnings per share, determined in accordance with IAS 33, are shown below:

	30/06/2023	30/06/2022	
Net profit attributable to the Group (€/000)	142,452	183,023	(40,571)
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	142,452	183,023	(40,571)
Weighted average number of ordinary shares for the purpose of determining earnings per share			
basic (B)	212,548	212,548	0
basic (C)	212,548	212,548	0
Earnings per share (€)			
basic (A/B)	0.67021	0.86109	(0.19088)
diluted (A/C)	0.67021	0.86109	(0.19088)

Notes to the Consolidated Statement of Financial Position

ASSETS

At 30 June 2023, these amounted to € 11,792,033 thousand (€ 11,338,532 thousand at 31 December 2022), recording an increase of € 453,500 thousand or 4.0% on the previous year.

€ thousand	30/06/2023	31/12/2022	Change	% Change
Non-current assets	8,883,281	8,560,435	322,847	3.8%
Current assets	2,887,928	2,759,022	128,906	4.7%
Non-current assets destined for sale	20,823	19,076	1,747	9.2%
Total Assets	11,792,033	11,338,532	453,500	4.0%

14. Property, plant and equipment - € 3,220,131 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 79.4% of property, plant and equipment, € 2,557,964 thousand.

The remaining 20.6% refers to:

- facilities belonging to the Environment Segment companies for € 344,678 thousand;
- infrastructures related to the Parent Company for € 104,364 thousand;
- infrastructures related to the Energy Segment for € 158,768 thousand;
- infrastructure related to the Overseas Segment for € 33,850 thousand,
- facilities belonging to the Engineering and Services Area for € 10,541 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total
Initial historic cost	651,258	3,880,120	1,135,146	201,810	98,250	14,040	5,980,623
Assets Held for Sale	(74)	(9,047)	0	0	(11,950)	0	(21,071)
Investments / Acquisitions	7,532	69,502	42,859	5,897	45,064	1,017	171,871
Disposals/ Sales	0	(1,815)	(368)	(503)	(1,698)	0	(4,384)
Changes in consolidation scope	0	6,851	1,248	62	10,745	0	18,906
Other changes	6,164	(4,704)	(1,115)	113	(14,657)	(1)	(14,201)
Final historic cost	664,881	3,940,907	1,177,769	207,379	125,754	15,055	6,131,745
Initial amortisation provision	(195,142)	(2,055,987)	(433,881)	(145,263)	0	(6,100)	(2,836,373)
Depreciation and amortisation	(7,602)	(46,843)	(24,780)	(6,635)	0	(4,829)	(90,689)
Assets Held for Sale	0	453	0	0	0	0	453
Investments / Acquisitions	0	0	0	0	0	0	0
Disposals/ Sales	0	223	250	402	0	0	875
Changes in consolidation scope	0	1,025	0	0	0	0	1,025
Other changes	(79)	8,400	146	236	0	4,394	13,096
Final amortisation provision	(202,824)	(2,092,730)	(458,265)	(151,260)	0	(6,534)	(2,911,613)
Net carrying amount	462,057	1,848,177	719,504	56,119	125,754	8,521	3,220,131

Investments totalled € 171,871 thousand and mainly refer to those incurred by:

- areti for € 112,022 thousand for the renewal and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment;
- Acea Ambiente for € 8,936 thousand for plant improvements carried out at the plants in San Vittore and Aprilia, the WTE plant in Terni and in Monterotondo Marittima;

- Acea Produzione for € 3,165 thousand mainly for the upgrading and maintenance of hydroelectric plants, the extension and restoration of the district heating grid and for works on the Tor di Valle power plant;
- Acea Solar for € 19,847 thousand, pertaining to photovoltaic development projects;
- Acea for € 3,742 thousand mainly for extraordinary maintenance at offices housing company activities.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets. The changes related to assets held for sale include the reclassification of the plants of Acea Solar, Acea Renewable and Fergas Solar 2, in line with the provisions of IFRS5.

15. Real estate investments – € 2,122 thousand

Real estate Investments primarily include land and buildings not used in operations and held for rental. The decrease compared to the end of the previous year was € 134 thousand and partly derives from the process of amortisation and partly from a write-down.

16. Goodwill - € 264,162 thousand

At 30 June 2023 goodwill amounted to € 264,162 thousand (€ 255,048 thousand at 31 December 2022). The change refers mainly to the definitive allocation of the price paid for the Business Combinations for new acquisitions. For more details please see the specific section.

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

€ thousand	31.12.2022	Definitive Allocation	Exchange Delta	Write-downs	30.06.2023
Environment	79,224	491	0	(828)	78,888
Commercial and Trading	47,716	1	0	0	47,717
Generation	91,618	0	0	0	91,618
Water and Gas	15,942	925	0	0	16,867
Overseas	4,951	0	151	0	5,102
Engineering and services	15,597	8,374	0	0	23,971
Goodwill	255,048	9,791	151	(828)	264,162

In order to check the maintenance of the book value of the CGUs, on the basis of what is provided for in IAS 36, an asset must be subjected to an impairment test every time it is believed that its carrying amount may be more than its recoverable value.

As laid down in the standards of reference and in the regulations on the subject, and as provided for in the Group procedure approved in February 2021 in relation to impairment tests on assets, the company must assess at each reporting date whether there is some "indication" that suggests that an asset may have suffered an impairment loss. If there is any sign of this, the company must estimate the recoverable value of the asset.

Irrespective of the existence or non-existence of such an indication, a company must in any case:

- calculate at least annually the recoverable value of an intangible asset with indefinite useful life or of an intangible asset not yet ready for use (at any moment of the year provided that it is always the same date);
- check at least annually the Goodwill acquired following a business combination.

The annual check on Goodwill is performed on the occasion of the end of the financial year, if there are no indications of impairment prior to this date.

The analyses conducted found no impairment indicators referring to the consolidated CGUs. Furthermore, as already developed last year in the 2022 Consolidated Interim Financial Report, in response to the current turbulent macroeconomic context, Acea has developed and applied an econometric model to estimate the existing relationships between the main economic-financial data relevant to the different companies and Acea plants, and more specifically the margins and main macroeconomic values, as well as Montecarlo analysis used to understand the relationships between individual key variables and support the definition of possible alternative scenarios and, more generally, the level of volatility in the forecasts. Furthermore, in order to analyse the possible impact on Acea business under different macroeconomic conditions, a multi-scenario analysis was developed, where possible impairment losses arise in certain scenarios that appear «more likely than not» from a statistical perspective.

17. Concessions and Rights on Infrastructure – € 3,625,446 thousand

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

- the values of concessions received from the Municipalities (€ 93,101 thousand);
- the overall amount of all tangible infrastructures for the management of water and gas distribution services (€ 3,403,203 thousand), in accordance with IFRIC 12.

Concessions refer for € 75,596 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between ACEA and Roma Capitale and the term of the Management Agreement signed by the Mayors in Ato2. The balance is completed by the thirty-year

concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 6,746 thousand and the Consorcio Agua Azul for € 10,759 thousand.

Capital expenditure for the period relating to Infrastructure rights amounted to € 321,030 thousand and mainly refers to:

- ACEA Ato2 for € 228,659 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- ACEA Ato5 for € 20,176 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- GORI for € 45,636 thousand, for the replacement of the water pipelines, the extraordinary maintenance for the works for the water and sewerage service, and the activities pursued for the reduction of water losses and the digitalisation of infrastructure for the water service;
- AdF for € 19,043 thousand, mainly due to reclamation and extraordinary maintenance, optimisation of networks/plants and new works, as well as the increased efficiency for the networks;
- SII for € 6,885 thousand mainly for modernisation and expansion of the infrastructures, and for reordering and improvement of the waste collection and treatment system.

18. Intangible fixed assets - € 421,852 thousand

The item has a net book value as at 30 June 2023 of € 421,852 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Contract Costs	Investments in progress and advances	Total
Net opening balance	218,479	129,554	56,809	15,348	420,191
Depreciation/amortisation and impairment losses	(33,004)	(11,425)	(13,535)	0	(57,965)
Assets Held for Sale	0	0	0	0	0
Investments / Acquisitions	23,447	16,456	888	11,008	51,799
Disposals/ Sales	(37)	(1)	0	(670)	(708)
Changes in consolidation scope	(40)	(14)	0	(993)	(1,048)
Other changes	2,320	(3,395)	15,141	(4,483)	9,583
Net closing balance	211,166	131,174	59,303	20,209	421,852

This saw an increase of € 1,661 thousand, deriving from investments incurred during the period (€ 51,799 thousand), net of amortisation and reductions in value (€ 57,965 thousand) and reclassifications.

Investments for the period are mainly attributable to:

- areti for € 16,138 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 20,972 thousand, for the most part associated with the costs of acquiring new customers pursuant to IFRS 15 (€ 15,197 thousand) and implementation of the new CRM, as well as improvements made to the invoicing, credit and decision-making support systems for development and progressive projects linked to integrating systems on the new CRM platform;
- The Parent Company for € 7,110 thousand for the purchase and implementation of software to support the development of IT platform management systems, the corporate security and the administrative management.

19. Right of use - € 107,417 thousand

This item includes rights to use the assets of others which are recognised as leased assets and amortised over the duration of the contracts in line with the IFRS 16 international standard. As at 30 June 2023 the net book value of these assets is € 107,417 thousand and the nature of these assets can be represented as follows:

€ thousand	30.06.2023	31.12.2022	Change	% Change
Land and buildings	85,078	67,150	17,928	26.7%
Cars and motor vehicles	8,969	9,440	(471)	(5.0%)
Machinery and equipment	10,791	11,453	(662)	(5.8%)
Distribution cabins	1,856	1,877	(21)	(1.1%)
Other	723	477	247	51.7%
Total	107,417	90,397	17,020	18.8%

The book value of the assets consisting of the right of use at 30 June 2023 for each class of underlying asset and the related changes in the period are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	67,150	9,440	11,453	1,877	477	90,397
Acquisitions	0	0	0	0	0	0
New contracts	7,511	2,059	201	109	277	10,157
Remeasurement	16,985	14	(21)	0	71	17,049
Depreciation	(6,568)	(2,544)	(843)	(130)	(101)	(10,185)
Total	85,078	8,969	10,791	1,856	723	107,417

The increase of € 17,020 thousand is mainly attributable in part to the signing of new contracts with reference to surface rights, and in part to the renewal of contracts on properties used for company offices.

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

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item "leases and rentals" in line with the requirements of IFRS 16 and in continuity with previous years.

20. Equity investments in unconsolidated subsidiaries and associates – € 359,716 thousand

€ thousand	31.12.2022	Changes in consolidation scope	Gains/losses from valuation of shareholders' equity	Increase/Decrease for dividends	Currency translation differences	OCI	Other changes/reclassifications	30.06.2023
Acque Group	124,677	0	5,414	660	0	(1,461)	65	129,355
GEAL	9,288	0	199	(278)	0	(1)	0	9,208
Nuove Acque and Intesa Aretina	13,079	0	203	(323)	0	(15)	0	12,944
Publiacqua	117,850	0	4,991	(2,756)	0	6	167	120,259
Umbra Acque	27,447	0	1,862	96	0	(133)	0	29,272
Ingegnerie Toscane	9,597	0	160	(908)	0	2	0	8,851
Energy	13,316	0	173	0	0	0	0	13,488
Picena Ambiente	3,088	0	0	0	0	0	0	3,088
Acea Sun Capital	16,079	0	(99)	(1,653)	0	(199)	1,205	15,333
DropMI	2,565	2,350	0	0	0	0	0	4,915
Aqua lot	0	368	0	0	0	0	0	368
Marmaria Group	9,096	0	(14)	0	0	0	0	9,082
Aguazul Bogotá	825	0	(163)	0	0	181	0	843
Other equity investments	1,977	0	113	0	0	0	619	2,709
Total Equity Investments	348,884	2,718	12,839	(5,163)	0	(1,619)	2,057	359,716

The changes that occurred during the period refer primarily to the valuation of the results of companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 12,839 thousand. These valuations are mainly reflected in the item "Income/(Expenses) from equity investments of a non-financial nature" and the rest in the item "Income/Expenses from equity investments". The change during the period is accounted for by the change in scope (+ € 2,718 thousand) and the change in reserves of "other comprehensive income" (- € 1,619 thousand).

€ thousand 30/06/2023	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	246,628	52,534	(109,443)	(64,013)	(39,365)	(5,620)	(89,775)
Acque Servizi	947	7,011	(918)	(3,625)	(4,649)	206	(866)
Poweris Group	2,519	952	(9)	(192)	0	14	170
Acea Sun Capital Group	98,697	13,625	(59,500)	(8,152)	(3,901)	506	(38,876)
AQUA.IOT	368	0	0	0	0	0	0
Intesa Aretina	13,892	534	0	(9)	0	140	192
DropMI	4,915	0	0	0	0	0	0
Ecomed	3	361	(20)	(420)	0	0	157
Energy	6,634	863	(0)	(704)	(774)	(201)	233
Geal	19,646	3,670	(7,761)	(5,932)	(6,059)	(199)	(3,939)
Acea Green	2,864	524	(13)	(708)	(554)	(416)	128
Ingegnerie Toscane	1,545	9,076	(458)	(4,837)	(4,201)	(160)	882
Publiacqua	222,606	54,542	(56,334)	(99,111)	(61,013)	(5,043)	(51,454)
Nuove Acque	18,531	5,973	(6,398)	(4,290)	(5,063)	(319)	(3,232)
Umbria Distribuzione Gas	6,397	6,263	(2,526)	(8,215)	0	(113)	892
Umbra Acque	77,043	15,618	(43,244)	(21,648)	(19,524)	(1,805)	(24,895)

€ thousand 31/12/2022	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	244,400	42,352	(43,716)	(122,628)	(78,535)	(11,062)	(88,032)
Acque Servizi	823	6,629	(1,004)	(2,616)	(10,833)	(251)	908
Acea Sun Capital Group	100,810	10,103	(64,757)	(9,808)	(9,380)	(939)	(40,416)
Powertis Group	2,281	1,027	(7)	(55)	(4)	7	333
Intesa Aretina	13,188	308	0	(96)	0	423	192
DropMI	2,565	0	0	0	0	0	0
Ecomed	3	361	(20)	(420)	0	0	157
Energy	6,386	914	0	(779)	(1,547)	(395)	140
Geal	19,633	5,196	(9,009)	(6,130)	(11,820)	(1,104)	(3,030)
Ingegnerie Toscane	1,482	10,332	(521)	(5,233)	(9,691)	(950)	(1,139)
Nuove Acque	18,438	5,772	(7,635)	(2,739)	(9,343)	(926)	(3,096)
Publiacqua	220,777	68,285	(77,452)	(92,395)	(109,401)	(8,560)	(58,011)
Umbria Distribuzione Gas	5,499	4,734	(3,147)	(5,255)	0	0	63
Umbra Acque	75,171	19,158	(44,196)	(24,254)	(46,951)	(3,320)	(22,564)

21. Other equity investments - € 3,020 thousand

These total € 3,020 thousand (they were € 3,007 thousand at 31 December 2022) and are composed of investments in shareholder securities that do not represent control, association or joint control.

22. Deferred tax assets - € 209,423 thousand

At 30 June 2023, deferred tax assets, net of deferred tax liabilities, amounted to € 209,423 thousand (€ 179,823 thousand at 31 December 2022). Deferred tax assets are mainly made up of the following: **i)** € 35,552 thousand for the provision for tax risks (€ 36,725 thousand as at 31 December 2022); **ii)** € 74,163 thousand to impairment of receivables and equity investments (€ 68,543 thousand as at 31 December 2022); **iii)** € 135,899 thousand for the amortisation/depreciation of intangible assets and property, plant and equipment (€ 136,519 thousand as at 31 December 2022); **iv)** € 15,507 thousand to defined benefit and defined contribution plans (€ 14,400 thousand as at 31 December 2022); **v)** € 16,040 thousand to the fair value measurement of commodities and other financial instruments (€ 9,186 thousand as at 31 December 2022).

Provisions for deferred taxes include in particular the deferred taxes tied to differences existing between the economic-technical amortisation rates applied to depreciable assets and tax portions. Uses in the period totalling € 7,508 thousand and allocations amounting to € 27,475 thousand contributed to this item.

The following table details the changes in this item.

€ thousand	31/12/2022		Changes				30/06/2023
	Balance	Changes in consolidation scope	Adjustments/ Reclassifications	Changes in shareholders' equity	Uses	IRES/IRAP provisions	Balance
Prepaid taxes							
Tax losses	67	0	0	0	0	17,214	17,281
Remuneration of BoD members	61	0	0	0	0	22	84
Provisions for risks and charges	36,725	0	0	1,086	(3,160)	901	35,552
Impairments of receivables and equity investments	68,543	678	(678)	2,811	(1,530)	4,340	74,163
Depreciation and amortisation	136,519	3,952	(3,952)	(1,156)	(4,573)	5,108	135,899
Defined benefit and defined contribution plans	14,400	(125)	125	1,025	(446)	528	15,507
Tax assets on consolidation adjustments	2,086	0	0	27	(606)	(2)	1,506
Fair value commodities and other financial instruments	9,186	0	0	7,001	(147)	0	16,040
Others	52,645	1,622	(1,622)	3,462	(1,185)	1,322	56,244
Total	320,232	6,127	(6,127)	14,256	(11,647)	29,433	352,274
Deferred taxes							
Depreciation and amortisation	75,176	1,103	(1,103)	1,164	(3,705)	1,816	74,451
Defined benefit and defined contribution plans	7,971	664	(664)	(44)	(136)	(37)	7,754
Fair value commodities and other financial instruments	27,164	0	0	3,698	(104)	218	30,976
Others	30,098	0	0	(194)	(195)	(39)	29,669
Total	140,409	1,767	(1,767)	4,624	(4,139)	1,958	142,851
Net	179,823	4,360	(4,360)	9,633	(7,508)	27,475	209,423

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

23. Non-current financial assets - € 25,842 thousand

These amounted to € 25,842 thousand (€ 30,531 thousand at 31 December 2022), a decrease of € 4,689 thousand mainly attributable to the Parent Company (- € 2,963 thousand) of which a portion relating to the public lighting service, including requalification of systems, energy saving, legislative compliance and technological innovation. The remainder of the credit will be paid to ACEA, for an amount equal to the fiscal amortisation, after financial year 2023, in accordance with what is agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets - € 644,150 thousand

Other non-current assets at 30 June 2023 are composed as follows:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Other receivables	14,177	15,155	(978)	(6.5%)
Advances and deposits	1,990	2,110	(120)	(5.7%)
Other Receivables, Receivables from Subsidiaries	14	0	14	n.s.
Long-term receivables for tariff adjustments	465,725	469,552	(3,828)	(0.8%)
Long-term receivables for Regulatory Lag	149,911	114,947	34,964	30.4%
Accrued income and prepayments	12,334	13,380	(1,046)	(7.8%)
Other assets	644,150	615,144	29,007	4.7%

This item includes long-term receivables for tariff adjustments for € 465,725 thousand (€ 469,552 thousand at 31 December 2022) of the water companies, while € 149,911 thousand (€ 114,947 thousand at 31 December 2022) is the long-term portion of the receivables registered in areti for regulatory lag.

Current assets

€ thousand	30/06/2023	31/12/2022	Change	% Change
Inventories	123,805	104,507	19,298	18.5%
Trade receivables	1,219,134	1,267,445	(48,311)	(3.8%)
Other current assets	465,755	458,780	6,976	1.5%
Current tax assets	71,942	26,296	45,645	173.6%
Current financial assets	729,592	342,085	387,507	113.3%
Cash and cash equivalents	277,699	559,908	(282,208)	(50.4%)
Current assets	2,887,928	2,759,022	128,906	4.7%

25. Inventories – € 123,805 thousand

The item inventories amounted to € 123,805 thousand (€ 104,507 thousand at 31 December 2022) and shows an increase of € 19,298 thousand, attributable mainly to Acea Innovation (+ € 7,647 thousand) for contract work in progress related to energy efficiency projects, areti (+ € 4,557 thousand) and Acea Energia (+ € 2,922 thousand) in relation to gas storage activities.

26. Trade Receivables – € 1,219,134 thousand

These amounted to € 1,219,134 thousand, recording a decrease of € 48,311 thousand compared to 31 December 2022, when the figure was € 1,267,445 thousand. The breakdown for the item is provided below:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Trade receivables	1,152,771	1,216,099	(63,328)	(5.2%)
Receivables due from the parent company	47,106	37,652	9,454	25.1%
Receivables from jointly controlled subsidiaries and associates	19,257	13,694	5,563	40.6%
Trade receivables	1,219,134	1,267,445	(48,311)	(3.8%)

Trade receivables

These amounted to € 1,152,771 thousand, a decrease of € 63,328 thousand compared to 31 December 2022 and are represented as follows:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Receivables due from end users for bills issued	342,119	362,675	(20,556)	(5.7%)
Receivables due from end users for bills to be issued	607,573	641,181	(33,608)	(5.2%)
Receivables due from non-user customers for bills issued	151,867	158,456	(6,589)	(4.2%)
Receivables due from non-user customers for bills to be issued	51,153	53,729	(2,576)	(4.8%)
Other current receivables and assets	59	59	0	0.0%
Trade receivables	1,152,771	1,216,099	(63,328)	(5.2%)

Receivables are shown net of the provision for doubtful receivables, which at 30 June 2023 amounted to € 653,205 thousand and increased by € 37,666 thousand compared to the previous year, mainly due to provisioning by GORI (€ 12,408 thousand), ACEA Ato2 (€ 11,175 thousand) and Acea Energia (€ 10,003 thousand).

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

	30/06/2023			31/12/2022			Change		
	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables
Environment	86,105	(3,256)	82,850	77,302	(3,001)	74,301	8,803	(254)	8,548
Corporate	2,842	(2,156)	686	3,512	(2,156)	1,356	(670)	0	(670)
Commercial and Trading	465,569	(157,188)	308,381	632,226	(145,883)	486,342	(166,657)	(11,305)	(177,962)
Overseas	35,717	(22,911)	12,806	32,652	(21,540)	11,113	3,065	(1,371)	1,693
Generation	25,464	(5,687)	19,777	27,513	(5,901)	21,612	(2,049)	214	(1,835)
Water	941,670	(368,101)	573,568	831,301	(344,260)	487,041	110,368	(23,841)	86,527
Engineering and Services	7,618	(1,104)	6,514	8,781	(1,099)	7,682	(1,163)	(5)	(1,168)
Energy Infrastructure	240,991	(92,801)	148,189	218,351	(91,699)	126,653	22,640	(1,103)	21,537
Total	1,805,976	(653,205)	1,152,771	1,831,638	(615,539)	1,216,099	(25,663)	(37,666)	(63,328)

Environment

These totalled € 82,850 thousand, up by € 8,548 thousand compared to 31 December 2022. The increase is attributable to DECO (+ € 5,495 thousand), Cavallari (+ € 1,442 thousand) and Aquaser (+ € 768 thousand).

Commercial and Trading

Receivables in this segment amounted to € 308,381 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The decrease compared to 31 December 2022 was € 177,962 thousand, mainly attributable to Acea Energia (- € 170,053 thousand) and Umbria Energy (- € 11,198 thousand), only partially offset by the increase in receivables recognised by Acea Innovation (+ € 4,413 thousand). In 2023, Acea Energia transferred receivables without recourse for a total of € 179,735 thousand and Acea Innovation transferred public administration receivables for € 10,107 thousand.

Overseas

These totalled € 12,806 thousand and recorded an increase of € 1,693 thousand compared to 31 December 2022, mainly attributable to Acea Dominicana, Aguas de San Pedro and Consorcio AceaLima Sur.

Water

These totalled € 573,568 thousand, recording an increase of € 86,527 thousand compared to 31 December 2022. The increase is mainly attributable to ACEA Ato2 (+ € 46,860 thousand), ACEA Ato5 (+ € 7,407 thousand), ASM Terni (+ € 11,177 thousand), GORI (+ € 4,907 thousand) and Acquedotto del Fiora (+ € 4,799 thousand); partially offset by SII (- € 8,330 thousand). In the first half of 2023, ACEA Ato2's receivables were assigned without recourse for a total amount of € 161,559 thousand.

Energy Infrastructure

These stand at € 148,189 thousand with an increase of € 21,537 thousand compared to 31 December 2022, entirely attributable to Areti. In the first half of 2023, Areti receivables totalling € 265,430 thousand were transferred without recourse, € 104,916 thousand to the Public Administration.

Generation

These totalled € 19,777 thousand, down by € 1,835 thousand compared to 31 December 2022. The change is attributable to all companies in the segment.

Engineering and Services

These totalled € 6,514 thousand, a decrease of € 1,681 thousand compared to 31 December 2022, mainly due to TWS (+€ 2,512 thousand, only partially offset by SIMAM (+€ 1,108).

Parent Company

These totalled € 686 thousand, recording a decrease of € 670 thousand compared to 31 December 2022.

Receivables due from the Parent Company Roma Capitale

As regards relations with Roma Capitale, the net balance at 30 June 2023 was € 4,311 thousand receivable for the Group (the balance at 31 December 2022 was € 1,714 thousand).

Trade and financial receivables recorded an overall increase of € 35,853 thousand compared to the previous year, mainly due to accrual in the period and collections. The main changes in the year are as follows:

- higher receivables for ACEA Ato2 for the supply of water for € 26,869 thousand;
- higher receivables referable to the Public Lighting service for € 26,399 thousand;
- collection/offset of receivables of ACEA Ato2 for utilities for € 18,110 thousand.

Payables decreased by € 33,256 thousand compared to the previous year; the main changes during the period are as follows:

- higher payables due to the recognition of 50% of the share dividends for 2022 for € 46,160 thousand. At the end of June 2023, alongside coupon detachment, Acea paid the other 50% of the dividends due for the year 2022 (€ 46,160 thousand);
- higher payables due to the recognition of the ACEA Ato2 concession fee for the first half of 2023 for € 13,168 thousand;
- payment of ACEA Ato2 concession fees for 2021 and 2022 for a total of € 26,537 thousand;
- higher payables of ACEA Ato2 due to the recognition of share dividends for 2022 for € 2,372 thousand;
- Areti paid various municipalities the amounts due for road excavation permits for a total of € 2,180 thousand referring to the previous year.

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 S.p.A.- Recognition of the perimeter of the payable situation and launch of the consequent procedures” recognised the perimeter of the Administration’s payables to Acea and Areti in relation to the Public Lighting service as of 31 December 2021.

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

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

€ thousand – Receivables due from Roma Capitale	30/06/2023	31/12/2022	Change
	A)	B)	A) - B)
Utility receivables	41,755	32,936	8,819
Provisions for impairment	(1,745)	(1,747)	2
Total receivables from users	40,010	31,189	8,821
Receivables for water works and services	3,804	3,804	0
Receivables for water works and services to be invoiced	724	574	150
Provisions for impairment	(2,191)	(2,191)	0
Receivables for electrical works and services	4,680	4,360	320
Receivables works and services - to be billed	405	242	163
Provisions for impairment	(326)	(326)	0
Total receivables for works	7,096	6,463	633
Total trade receivables	47,106	37,652	9,454
Financial receivables for Public Lighting services billed	148,060	135,127	12,933
Provisions for impairment	(57,994)	(57,994)	(0)
Financial receivables for Public Lighting services to be billed	54,955	36,274	18,681
Provisions for impairment	(8,981)	(5,380)	(3,601)
M/L term financial receivables for Public Lighting services	3,201	4,815	(1,614)
Total Public Lighting receivables	139,241	112,842	26,399
Total Receivables	186,346	150,494	35,853
Payables due to Roma Capitale	30/06/2023	31/12/2022	Change
Electricity surtax payable	(5,503)	(5,495)	(8)
Concession fees payable	(14,190)	(27,559)	13,368
Other payables	(7,869)	(9,784)	1,915
Dividend payables	(154,473)	(105,942)	(48,531)
Total payables	(182,036)	(148,779)	(33,256)
Net balance receivables payables	4,311	1,714	2,597

Trade receivables from associates and joint ventures

€ thousand	30/06/2023	31/12/2022	Change	% Change
Receivables from associates	2,939	2,721	218	8.0%
Receivables from jointly controlled entities	16,319	10,973	5,346	48.7%
Receivables from jointly controlled subsidiaries and associates	19,257	13,694	5,563	40.6%

These receivables totalled € 19,257 thousand and mainly refer to receivables from associated and jointly controlled companies mainly refer to receivables from companies consolidated using the equity method.

27. Other current assets - € 465,755 thousand

€ thousand	30/06/2023	31/12/2022	Change	% Change
Receivables from others	346,715	343,117	3,597	1.0%
Accrued income and prepaid expenses	50,272	34,364	15,909	46.3%
Payables arising from commodity derivatives	68,768	81,298	(12,530)	(15.4%)
Other current assets	465,755	458,780	6,976	1.5%

Receivables from others

These amounted to a total of € 346,715 thousand and were made up as follows:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Receivables due from the Equalisation Fund	60,089	53,117	6,971	13.1%
Receivables from Equalisation Fund for Tariff Contribution from cancellation	3,161	5,300	(2,139)	(40.4%)
Other receivables from Equalisation Fund	8,539	14,274	(5,736)	(40.2%)
Regional grants receivable	2,514	2,514	0	0
Receivables from Equitalia	122	122	0	0
Security deposits	5,128	5,032	95	1.9%
Receivables from social security institutions	2,030	3,180	(1,150)	(36.2%)
Receivables from individual transfers	2,593	2,584	9	0.3%
Suppliers' advances	19,565	20,877	(1,313)	(6.3%)
Receivables due from Municipalities	10,811	11,519	(708)	(6.1%)
Receivables from Factor from the sale	(798)	(825)	27	(3.2%)
Receivables for accrued Green Certificates	5,733	6,137	(404)	(6.6%)
Receivables from OTAAAs	0	6,740	(6,740)	(100.0%)
Receivables from staff	58	55	3	4.5%
Receivables for advances to employees	1,131	822	308	37.5%
Other Tax Receivables	111,177	89,804	21,373	23.8%
Other receivables	114,865	121,864	(6,999)	(5.7%)
Receivables from others	346,715	343,117	3,597	1.0%

The increase for € 3,597 thousand derives from the increase in tax receivables (+ € 21,373 thousand) mainly attributable to Acea Energia (+ € 29,216 thousand) in relation to receivables accrued on energy efficiency projects, partly offset by lower receivables from AATO (- € 6,740 thousand) relating to SII as a result of the invoicing of adjustment items and from lower other receivables (- € 6,999 thousand).

Accrued income and prepaid expenses

These amounted to € 50,272 thousand (€ 34,364 thousand at 31 December 2022) and refer mainly to rent on public land, lease payments and insurance, as well as the portion of user licences accruing to subsequent years and IT infrastructure maintenance fees.

Payables arising from commodity derivatives

Active derivative instruments on commodities represent the valuation of hedging derivatives on commodities, referring entirely to Acea Energia and amounting to € 68,768 thousand, down by € 12,530 thousand at 31 December 2022 due to the change in the fair value measurement at the end of the period in question and the change in the quantities hedged. For these transactions classified as

cash flow hedges, changes in fair value were recognised, limited only to the effective portion, in a specific equity reserve called "cash flow hedge reserve" through the statement of comprehensive income. There were no changes in fair value referable to the ineffective portion to be recognised in the income statement.

We note that among the "Other current liabilities" the item "Current derivative instruments" is recognised for € 1,175 thousand.

28. Current tax assets – € 71,942 thousand

These amounted to € 71,942 thousand (€ 26,296 thousand at 31 December 2022) and include IRAP and IRES receivables.

29. Current financial assets – € 729,592 thousand

€ thousand	30/06/2023	31/12/2022	Change	% Change
Financial receivables from the Parent Company Roma Capitale	136,040	108,026	28,013	25.9%
Financial receivables from jointly controlled subsidiaries and associates	7,781	12,502	(4,720)	(37.8%)
Financial receivables from third parties	583,053	218,891	364,163	166.4%
Securities	2,718	2,667	52	1.9%
Current financial assets	729,592	342,085	387,507	113.3%

Financial receivables from the Parent Company Roma Capitale

These totalled € 136,040 thousand, up by € 28,013 thousand compared to 31 December 2022. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "Receivables due from the Parent Company Roma Capitale".

Financial receivables from associates and joint ventures

These amounted to € 7,781 thousand and decreased by € 4,720 thousand at 31 December 2022, mainly in relation to the distribution of dividends to companies consolidated with the equity method.

Financial receivables from third parties

These amounted to € 583,053 thousand (€ 218,891 thousand at 31 December 2022) and are made up of short-term deposit lines of the Parent Company for € 550,000 thousand (€ 270,000 at 31 December 2022).

30. Cash and cash equivalents – € 277,699 thousand

The balance at 30 June 2023 of bank current accounts and postal accounts, opened with the various banks and BancoPosta by the consolidated companies amounted to € 277,699 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Bank and postal deposits	256,864	541,481	(284,616)	(52.6%)
Cheques	11,709	9,614	2,095	21.8%
Cash and similar items of value on hand	9,126	8,813	313	3.6%
Cash and cash equivalents	277,699	559,908	(282,208)	(50.4%)

31. Assets held for sale – € 20,823 thousand

At 30 June 2023, "Non-current assets held for sale" amounted to € 20,823 thousand (€ 19,076 thousand at 31 December 2022) and refer to the reclassification of assets destined for sale pursuant to IFRS 5 in the context of the disposal of majority stakes relative to photovoltaic assets.

SHAREHOLDERS' EQUITY

32. Shareholders' equity - € 2,729,138 thousand

At 30 June 2023, shareholders' equity amounted to € 2,729,138 thousand (€ 2,755,242 thousand at 31 December 2022). Changes in shareholders' equity during the period are shown in the specific statement.

Share capital

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

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

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company amounting to € 157,838 thousand.

Other reserves and retained earnings

At 30 June 2023, these amounted to € 854,220 thousand against € 765,143 at 31 December 2022. In addition to the allocation of the previous year's result, the change of € 89,077 thousand derives mainly from: **i)** distribution of dividends of the parent company for € 180,666 thousand; **ii)** decrease in cash flow hedges of financial instruments and commodities for € 21,188 thousand; **iii)** decrease of € 2,643 thousand in actuarial gains and losses reserves; **iv)** increase in the exchange rate reserve for € 12,043 thousand.

At 30 June 2023 ACEA held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Third parties Shareholders' Equity

This amounted to € 475,729 thousand, an increase of € 11,754 thousand. The change between the two periods in question, in addition to the change in the portion of profits due to third parties, is mainly due to the change in the scope (+ € 1,682 thousand) deriving from the exercise of the put option pertaining to the acquisition of an additional 30% stake of the shares in SIMAM and the second closing of ASM Terni. These were recognised on the basis of the provisions of IFRS3 (please see the specific section for more information).

LIABILITIES

At 30 June 2023 these amounted to € 9,062,895 thousand (€ 8,583,290 thousand at 31 December 2022), recording an increase of € 479,605 thousand (+5.6%) over the previous year, and can be broken down as follows:

	30/06/2023	31/12/2022	Change	% Change
Non-current liabilities	6,255,234	5,452,905	802,329	14.7%
Current liabilities	2,805,166	3,128,466	(323,300)	(10.3%)
Liabilities closely associated with assets held for sale	2,495	1,919	576	30.0%
Total liabilities	9,062,895	8,583,290	479,605	5.6%

Non-current liabilities

€ thousand	30/06/2023	31/12/2022	Change	% Change
Staff termination benefits and other defined benefit plans	110,273	112,989	(2,715)	(2.4%)
Provisions for risks and charges	304,375	218,025	86,351	39.6%
Borrowings and financial liabilities	5,399,686	4,722,263	677,423	14.3%
Other non-current liabilities	440,899	399,628	41,271	10.3%
Non-current liabilities	6,255,234	5,452,905	802,329	14.7%

33. Employee severance indemnity and other defined benefit plans € 110,273 thousand

At 30 June 2023, this item amounted to € 110,273 thousand (€ 112,989 thousand as at 31 December 2022) and represents termination and other benefits payable to employees on retirement or termination of employment.

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

€ thousand	30/06/2023	31/12/2022	Change	% Change
Employee severance indemnities (TFR)	57,767	56,624	1,143	2.0%
Pegaso Fund	51	45	6	13.6%
- Employee severance indemnity	57,818	56,669	1,149	2.0%
Extra months	6,918	6,679	239	3.6%
- Extra months	6,918	6,679	239	3.6%
LTIP plans	1,942	1,736	206	11.9%
- Long-Term Incentive Plans (LTIP)	1,942	1,736	206	11.9%
Benefits due at the time of termination of employment	66,678	65,084	1,594	2.4%
Employees tariff subsidy	5,390	5,287	103	1.9%
Managers tariff subsidy	138	152	(14)	(9.4%)
Pensioners tariff subsidy	20,630	18,715	1,915	10.2%
- Tariff subsidies	26,157	24,154	2,004	8.3%
Post-employment benefits	26,157	24,154	2,004	8.3%
Isopensione fund	17,438	23,751	(6,313)	(26.6%)
- Isopensione (early retirement)	17,438	23,751	(6,313)	(26.6%)
Staff termination benefits and other defined benefit plans	110,273	112,989	(2,715)	(2.4%)

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

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies listed on the same financial market as ACEA, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

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

	30/06/2023	31/12/2022
Discount Rate	3.7%	4.0%
Revenue growth rate (average)	3.0%	3.0%
Long-term inflation	2.5%	3.0%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /-0.5% shift). The results of this analysis are summarised below.

Type of plan (€ million)	0.50%	-0.50%
Employee severance indemnities (TFR)	(2.6)	2.7
Tariff subsidies	(0.8)	0.9
Extra months	(0.0)	0.0
LTIP	(0.0)	0.0

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the actual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan (€ million)	-1 year of age
Employee severance indemnities (TFR)	2.5
Tariff subsidies	(0.1)
Extra months	0.3

34. Provisions for risks and charges - € 304,375 thousand

At 30 June 2023, the provision for risks and charges amounted to € 304,375 thousand (€ 218,025 thousand at 31 December 2022) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of what is stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

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

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

€ million	31/12/2022	Uses	Provisions	Release for Excess Provisions	Other changes	30/06/2023
Legal	14,575	(1,483)	501	(1,501)	(301)	11,791
Taxes	5,738	0	122	0	0	5,860
Regulatory risks	31,550	(510)	1,577	(510)	0	32,108
Investees	8,167	(2,100)	488	0	2,100	8,655
Contributory risks	1,528	0	15	0	(12)	1,531
Insurance deductibles	10,881	(1,440)	976	0	0	10,417
Other risks and charges	28,004	(1,817)	2,946	(1,088)	(1,876)	26,169
Total Provision for Risks	100,443	(7,350)	6,625	(3,098)	(89)	96,531
Early retirements and redundancies	28,038	(1,241)	25	0	0	26,822
Post Mortem	68,267	(207)	0	0	3,449	71,509
Provision for Expenses payable to others	21,277	(763)	185	0	(2,366)	18,332
Provisions for Interim Taxes	0	0	91,182	0	0	91,182
Total Provisions for Expenses	117,582	(2,212)	91,392	0	1,083	207,845
Total Provisions for Risks and Charges	218,025	(9,562)	98,017	(3,098)	994	304,375

The main change is due to the recognition of taxes for the period which are set aside, as provided for in the international accounting standards, in specific "Provisions for interim taxes" (€ 91,182 thousand).

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

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

35. Non-current borrowings and financial liabilities - € 5,399,686 thousand

€ thousand	30/06/2023	31/12/2022	Change	% Change
Bonds	4,534,334	3,834,453	699,882	18.3%
Medium/long-term borrowings	772,964	814,422	(41,458)	(5.1%)
IFRS 16 financial payables	92,387	73,388	18,999	25.9%
Borrowings and financial liabilities	5,399,686	4,722,263	677,423	14.3%

The figures in the table include the *fair value*, at 30 June 2023, of hedging instruments entered into and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	30.06.2023	Hedged instrument	Derivative fair value	31.12.2022
Bonds	4,501,719	32,616	4,534,334	3,816,438	18,015	3,834,453
Medium/long-term borrowings	772,964	0	772,964	814,422	0	814,422
Non-current borrowings and financial liabilities	5,274,683	32,616	5,307,299	4,630,860	18,015	4,648,875

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. The issue is part of the Green Financing Framework and under the € 5 billion Euro Medium Term Notes (EMTN) programme.

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").

The bonds amounted to € 4,534,334 thousand at 30 June 2023 (€ 3,834,453 thousand at 31 December 2022) and refer to the following:

- € 599,970 thousand (including the long-term portion of contract related costs) relating to the 10-year fixed rate bond issued by ACEA in July 2014 as part of the Euro Medium Term Notes (EMTN) programme. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue

price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 7,810 thousand;

- **€ 497,483 thousand** (including the long-term portion of costs attached to the contract) relating to the 10-year fixed-rate bond issued for a total of € 500,000 thousand issued by ACEA in October 2016 under the EMTN programme. The bonds, which have a minimum denomination of € 100,000.00 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 2,479 thousand;
- **€ 127,018 thousand** relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 32,616 thousand, amounted to **€ 159,634 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 38,120 thousand, of the hedged instrument calculated on 31 December 2022. The exchange rate at 30 June 2023 amounted to € 157.44 against € 140.41 at 31 December 2022. Interest accrued during the period amounted to € 1,621 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied into a fixed rate in Euro. The cross-currency transaction requires the bank to pay ACEA, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while ACEA must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that ACEA's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the period the conditions for the possible exercise of the option did not occur;
- **€ 694,799 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.5%) bond issued by Acea on 1 February 2018 under the EMTN programme. Interest accrued during the period amounted to € 5,205 thousand;
- **€ 496,357 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.75%) bond issued by Acea on 23 May 2019 under the EMTN programme. Interest accrued during the period amounted to € 4,336 thousand;
- **€ 496,914 thousand** (including the long-term portion of costs associated with the contract) relating to the 9-year 0.50% rate bond issued by ACEA on 29 January 2020 under the EMTN programme. Interest accrued during the period amounted to € 1,238 thousand;
- **€ 299,836 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly issued Green Bond maturing on 28 September 2025, with an interest rate of 0%;
- **€ 591,988 thousand** (including the long-term portion of costs associated with the contract) relative to the newly issued Green Bond maturing on 28 July 2030 with an interest rate of 0.25%. Interest accrued during the period amounted to € 744 thousand;
- **€ 697,354 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 24 January 2031 and rate of 3.875%; Interest accrued during the period amounted to € 11,381 thousand.

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

€ thousand	Gross Payables (*)	FV hedging instrument	Interest accrued (**)	Total
Bonds:				
Issued in 2014	599,051	0	15,146	614,197
Private Placement issued in 2014	126,998	32,616	587	160,201
Issued in 2016	496,408	0	3,425	499,833
Issued in 2018	693,097	0	660	693,757
Issued in 2019	495,447	0	932	496,380
Issued in 2020	496,275	0	587	496,862
Issued in 2021	890,389	0	1,389	891,778
Issued in 2023	696,992	0	11,742	708,734
Total	4,494,657	32,616	34,468	4,561,741

(*) including amortised cost

(**) including deferrals on hedging instruments

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

These amounted to € 910,530 thousand (€ 951,468 thousand at 31 December 2022) and can be broken down as follows: (i) payable for capital portions of instalments coming due within the year for € 137,566 thousand (€ 137,046 thousand at 31 December 2022); (ii)

the portions relative to the same loans expiring after the year for € 722,964 thousand (at 31 December 2022 these were € 814,422 thousand).

The following table shows medium/long-term borrowings by maturity and type of interest rate:

€ thousand	30/06/2023	By 30/06/2024	From 30/06/2024 to 30/06/2028	After 30/06/2028
fixed rate	276,781	32,460	140,211	104,110
floating rate	434,635	86,359	173,120	175,156
floating rate cash flow hedge	199,114	18,746	131,722	48,646
Total	910,530	137,566	445,053	327,912

The **fair value** of the hedging derivatives totalling € 12,963 thousand, of which the fair value of GORI's hedging derivatives was a positive € 6,157 thousand (at 31 December 2022, it was a positive € 6,579 thousand). Acquedotto del Fiora was a positive € 5,234 thousand (at 31 December 2022, it was a negative € 5,462 thousand), and that of SII was a positive € 1,487 thousand (at 31 December 2022 it was a positive € 1,643 thousand). Positive fair values are found under "Non-current financial assets" and hence at 31 December 2022 are not considered in the balance of correlated loans.

The Group's main medium/long-term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.

In particular, the loan taken out by areti is subject to a financial covenant. On this point we can note that while awaiting the formalisation of the correct and updated interpretation of the method of calculating the financial parameter, Acea and Cassa Depositi e Prestiti agreed, in a Letter of Consent signed on 18 February 2022, to change, limited to the Company and not to the Consolidation, the threshold value of the same going from 0.65 to 0.75, with effect starting from the financial statements at 31 December 2021 and until expiry of the loan contract.

The loan agreements entered into by the Parent Company envisage:

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

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

The table below shows the *fair value* of borrowings broken down by type of loan and interest rate as at 30 June 2022. The fair value of medium and long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given that they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Loans	Amortised cost	RISK-LESS FV	Delta	RISK ADJUSTED FV	Delta
€ thousand	(A)	(B)	(A)-(B)	(C)	(A)-(C)
Bonds	4,561,741	4,293,924	267,817	4,174,260	387,482
<i>fixed rate</i>	276,781	272,633	4,148	262,927	13,854
<i>floating rate</i>	434,635	422,252	12,384	408,682	25,954
<i>floating rate cash flow hedge</i>	199,114	193,847	5,267	190,084	9,030
Total	5,472,271	5,182,655	289,616	5,035,953	436,319

IFRS 16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS 16 amounting to € 92,387 thousand, of which the short-term portion amounts to € 16,081 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

€ thousand	Within 12 months	Within 24 months	Within 5 years	After 5 years	Total
IFRS 16 liabilities	16,081	11,041	24,005	57,342	108,468

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

36. Other non-current liabilities - € 440,899 thousand

€ thousand	30/06/2023	31/12/2022	Change	% Change
Advances received	173,754	160,550	13,204	8.2%
Water and electrical connection fees	48,315	47,895	420	0.9%
Capital grants	172,463	147,465	24,997	17.0%
Accrued expenses and deferred income	46,367	43,718	2,649	6.1%
Other non-current liabilities	440,899	399,628	41,271	10.3%

Advances from end users and customers

The item advances includes: (i) the amount of the security deposits and consumption advances of the water companies and (ii) the amount of the deposits concerning the liabilities for advances on electricity consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99).

€ thousand	30/06/2023	31/12/2022	Change	% Change
Advances from users	23,189	6,007	17,182	n.s.
User guarantee deposits	133,272	139,266	(5,994)	(4.3%)
Advances from other customers	17,293	15,278	2,016	13.2%
Advances received	173,754	160,550	13,204	8.2%

Capital grants and water connection fees

Water connection contributions amounted to €48,315 thousand (€ 47,895 thousand at 31 December 2022), while plant contributions amounted to € 172,463 thousand (€ 147,465 thousand at 31 December 2022).

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

Current liabilities

€ thousand	30/06/2023	31/12/2022	Change	% Change
Borrowings	405,885	619,418	(213,532)	(34.5%)
Payables to suppliers	1,686,599	1,849,980	(163,381)	(8.8%)
Tax payables	8,574	26,810	(18,236)	(68.0%)
Other current liabilities	704,108	632,259	71,849	11.4%
Current liabilities	2,805,166	3,128,466	(323,300)	(10.3%)

37. Financial payables - € 405,885 thousand

€ thousand	30/06/2023	31/12/2022	Change	% Change
Payables to banks for short-term credit lines	29,326	8,008	21,318	n.s.
Payables to banks for loans	137,566	137,046	520	0.4%
Short-term bonds	27,407	316,965	(289,559)	(91.4%)
Payables to the controlling shareholder Municipality of Rome	156,998	108,466	48,531	44.7%
Payables to subsidiaries and associates	49	68	(19)	(27.6%)
Payables to third parties	38,459	32,358	6,101	18.9%
IFRS 16 financial payables within one year	16,081	16,507	(425)	(2.6%)
Borrowings	405,885	619,418	(213,532)	(34.5%)

Payables to banks for short-term credit lines

These amounted to € 29,326 thousand (€ 8,008 thousand at 31 December 2022), showing an increase of € 21,318 thousand, attributable to Corporate for € 20,498 thousand for use of current account overdrafts.

Payables to banks for loans

These amounted to € 137,566 thousand (€ 137,046 thousand at 31 December 2022), and refer to the short-term portion of medium/long-term loans falling due within twelve months.

Short-term bonds

These amounted to € 27,407 thousand (€ 316,965 thousand at 31 December 2022). The decrease in short-term bonds is due to reimbursement of the 5-year bond issued by ACEA under the Euro Medium Term Notes (EMTN) programme on 1 February 2018, which matured in February 2023.

Payables to the Parent Company Roma Capitale

These amounted to € 156,998 thousand (€ 108,466 thousand at 31 December 2022) and recorded an increase of € 48,531 thousand, resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment of 50% of the 2022 dividends.

Payables to third parties

These amounted to € 38,459 thousand (€ 32,358 thousand at 31 December 2022). The changes can be represented as follows:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Dividends payable to shareholders	1,600	939	660	70.3%
Financial payables due to factors	22,489	22,536	(47)	(0.2%)
Other financial payables	14,371	8,882	5,488	61.8%
Payables to third parties	38,459	32,358	6,101	18.9%

IFRS 16 financial payables within one year

These payables, totalling € 16,081 thousand (€ 16,507 thousand at 31 December 2022), represent the short-term portion of the financial debt at 30 June 2023 recorded following the application of the IFRS 16 international standard. For additional information refer to note 35.

38. Trade payables – € 1,686,599 thousand

€ thousand	30/06/2023	31/12/2022	Change	% Change
Payables to suppliers	1,654,801	1,802,577	(147,776)	(8.2%)
Payables to the parent company	25,038	40,313	(15,275)	(37.9%)
Payables to jointly controlled subsidiaries and associates	6,760	7,090	(330)	(4.7%)
Payables to suppliers	1,686,599	1,849,980	(163,381)	(8.8%)

Payables to suppliers

Payables to suppliers amounted to € 1,654,801 thousand. The decrease of € 147,776 thousand is largely attributable to Acea Energia as a consequence of higher prices of energy and gas in 2022.

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

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

Trade payables due to the Parent Company Roma Capitale

These amounted to € 25,038 thousand (€ 40,313 thousand at 31 December 2022) and are commented on with the trade receivables in paragraph 26 of these Notes.

Trade payables due to subsidiaries and associates

Trade payables to subsidiaries and associates amounted to € 6,760 thousand (€ 7,090 thousand at 31 December 2022) and include payables to companies consolidated using the equity method.

39. Tax payables – 8,574 thousand

These amounted to € 8,574 thousand (€ 26,810 thousand at 31 December 2022) and include the IRAP and IRES tax payable. The decrease is mainly attributable to the payable for extraordinary solidarity contribution pursuant to art. 37 of Decree Law 21/2022 paid (€ 18,366 thousand).

40. Other current liabilities – 704,108 thousand

These are equal to € 704,108 thousand and are represented as follows:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Payables to social security institutions	34,780	32,112	2,667	8.3%
Accrued expenses and deferred income	100,947	83,846	17,101	20.4%
Other current liabilities	567,206	514,729	52,477	10.2%
Payables from commodity derivatives	1,175	1,572	(396)	(25.2%)
Other current liabilities	704,108	632,259	71,849	11.4%

Payables to social security institutions

These amounted to € 34,780 thousand and show an increase of € 2,667 thousand compared to 31 December 2022.

Accrued expenses and deferred income

This item amounted to € 100,947 thousand (€ 83,846 thousand at 31 December 2022). The increase was influenced by the change of ASM Terni for € 15,052 thousand in relation to the TARIC share pertaining to April-December 2023.

Other current liabilities

These amounted to € 567,206 thousand, an increase of € 52,477 thousand compared to 31 December 2022. The entry is made up as follows:

€ thousand	30/06/2023	31/12/2022	Change	% Change
Payables to Equalisation Fund	184,241	84,520	99,721	118.0%
Payables to Municipalities for concession fees	65,786	64,740	1,046	1.6%
Payables for collections subject to verification	21,573	20,385	1,187	5.8%
Payables due to personnel	53,299	56,561	(3,261)	(5.8%)
Other payables to Municipalities	28,099	32,941	(4,842)	(14.7%)
Payables to Equitalia	2,086	2,095	(10)	(0.5%)
Payables for environmental premium art. 10 of ATI4 agreement of 13/08/2007	635	677	(42)	(6.2%)
Other tax payables	70,253	64,307	5,947	9.2%
Other payables	141,234	188,503	(47,269)	(25.1%)
Other current liabilities	567,206	514,729	52,477	10.2%

The increase in payables to the Equalisation Fund totalling € 99,721 thousand is due for € 67,370 thousand to Areti due to the change in the regulatory framework related to the Social Bonus and to the reintroduction of general system charges in Q2 2023 and € 21,136 thousand to Acea Energia as a result of the hedging of the imbalances of the equalisation system for the costs of purchasing and dispatching electricity destined to the greater protection service, while the decrease in other payables for a total of € 47,269 thousand is attributable for € 33,445 thousand to the decrease in the payable relating to the purchase of 35% of Deco and for € 13,000 thousand to the decrease in the payable for the purchase of 30% of SIMAM.

41. Liabilities closely associated with assets held for sale - € 2,495 thousand

At 30 June 2023, "Liabilities closely associated with assets held for sale" amounted to € 2,495 thousand (€ 1,919 thousand at 31 December 2022) and refer to the reclassification of liabilities closely associated with assets held for sale held for sale in terms of IFRS 5; reference is made to the specific paragraph for more information.

Commitments and contingencies

Endorsements, sureties and guarantees

At 30 June 2023, these totalled € 687,334 thousand (€ 632,577 thousand at 31 December 2022), recording an increase of € 54,757 thousand.

The balance is made up of:

- € 90,685 thousand for guarantees in the interest of Acea Energia relative to the electricity and gas dispatching and transport service;
- € 20,000 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 53,666 thousand in the form of a guarantee issued by ACEA to Cassa Depositi e Prestiti (the Deposit and Loans Account) in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 23,750 thousand issued by insurance companies on behalf of Orvieto Ambiente, which took over from Acea Ambiente in favour of the Umbria Region for the management of operational and post-operative activities of the landfill;
- € 14,235 thousand issued by insurance companies on behalf of Acea Ambiente and Orvieto Ambiente in relation to waste collection plants and waste recovery plants with electricity production;
- € 8,336 thousand released by banks on the account of Acea Ambiente in favour of the Umbria Region for management of the Orvieto landfill;
- the guarantee of € 230,000 thousand for various traders in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 17,716 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the "Progetto Tecnologico" contract for the construction of the new multiservice pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,000 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 7,569 thousand relative to ACEA Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UNICREDIT to AATO, calculated on 10% of the three-year average of the Financial-Tariff Plan of the AATO Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary Gori S.p.A.;
- € 56,336 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 10,705 thousand for five bank sureties issued in favour of SEDAPAL for the management of the pumping stations in the city of Lima and for maintenance of the water and sewerage network in the North zone, for the maintenance and management of wastewater treatment plants in Lima North-East zone;
- € 20,365 thousand for various guarantees associated with the authorisation request to build and manage photovoltaic parks;
- € 6,496 thousand issued by insurance companies on behalf of DECO relating to the landfill and waste treatment plant;
- € 36,812 thousand issued in the interest of Acea Ambiente in favour of Roma Capitale for participation in the exploratory notice for the presentation of project financing proposals for assignment of the systems hub concession relative to the design, authorisation, construction and management of a waste to energy plant and correlated ancillary systems.

Business Combinations

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

Acquisition of Tecnoservizi

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

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

€ thousand			
Net Assets Acquired	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Tangible fixed assets	5,537	0	5,537
Intangible fixed assets	5,164	5,159	10,323
Equity investments	0	0	0
Warehouse inventories	73	0	73
Deferred taxes	283	(1,486)	(1,203)
Trade receivables	7,475	0	7,475
Other receivables	2,170	0	2,170
Financial receivables	641	0	641
Cash and cash equivalents	1,522	0	1,522
Employee severance indemnity and other defined benefit plans	(1,195)	0	(1,195)
Provisions for risks and charges	(11)	0	(11)
Current tax assets/liabilities	0	0	0
Trade payables	(4,007)	0	(4,007)
Other payables	(3,585)	0	(3,585)
Other financial liabilities	(8,800)	0	(8,800)
Payables to banks	(2,203)	0	(2,203)
Allocated goodwill	0	0	0
NET BALANCE	3,064	3,673	6,737
of which attributable to third parties			(2,021)
Goodwill			1,995
Net value acquired			6,712
Net cash outflow for the acquisition			(6,712)
Cash and cash equivalents acquired			1,522
Repayment of financial payables			0
Payables to banks			(2,203)
Net cash flow			(7,393)

Acquisition of Italmacero

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

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

€ thousand

Net Assets Acquired	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Tangible fixed assets	256	0	256
Intangible fixed assets	5	0	5
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	17	0	17
Trade receivables	0	0	0
Other receivables	12	0	12
Financial receivables	0	0	0
Cash and cash equivalents	928	0	928
Employee severance indemnity and other defined benefit plans	(72)	0	(72)
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	0	0	0
Other payables	0	0	0
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
NET BALANCE	1,146	0	1,146
of which attributable to third parties			0
Goodwill			615
Net value acquired			1,761
Net cash outflow for the acquisition			(1,761)
Cash and cash equivalents acquired			928
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(833)

Acquisition of Romeo Gas Business Unit

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

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

€ thousand

Net Assets Acquired	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Tangible fixed assets	21,107	0	21,107
Intangible fixed assets	19	9,073	9,093
Equity investments	0	0	0
Warehouse inventories	20	0	20
Deferred taxes/Tax Credits	3,129	(2,642)	487
Trade receivables	0	0	0
Other receivables	13	0	13
Financial receivables	0	0	0
Cash and cash equivalents	0	0	0
Employee severance indemnity and other defined benefit plans	(401)	0	(401)
Provisions for risks and charges	(93)	0	(93)
Current tax assets/liabilities	0	0	0
Trade payables	(119)	0	(119)
Other payables	(335)	0	(335)
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
NET BALANCE	23,341	6,431	29,772
of which attributable to third parties			0
Goodwill			7,302
Net value acquired			37,074
Net cash outflow for the acquisition			(37,074)
Cash and cash equivalents acquired			0
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(37,074)

Acquisition of the “Polo Cirsu” business unit

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

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive. It should be noted that the bargain was recorded in the income statement of the 2022 annual financial statements.

€ thousand

Net Assets Acquired	IAS/IFRS Financial Statements	ADJ fair value	Fair value
Tangible fixed assets	13,673	0	13,673
Intangible fixed assets	0	30,547	30,547
Equity investments	0	0	0
Inventories	0	0	0
Deferred taxes/Tax Credits	0	0	0
Trade receivables	0	0	0
Other receivables	854	0	854
Financial receivables	0	0	0
Cash and cash equivalents	0	0	0
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	(7,648)	(7,648)
Current tax assets/liabilities	0	0	0
Trade payables	0	0	0
Other payables	0	0	0
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
NET BALANCE	14,526	22,899	37,425
of which attributable to third parties			0
Bargain			(10,044)
Net value acquired			27,381
Net cash outflow for the acquisition			(27,381)
Cash and cash equivalents acquired			0
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(27,381)

Business Combination – Provisional Accounting (IFRS 3 – par.45)

Acquisition of ASM Terni

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

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

- The parent company, TWS and ACEA MOLISE transferred the equity investments held in UmbriaDue Servizi Idrici S.c.a.rl. overall held at 99.4%;
- ACEA AMBIENTE transferred the 60.0% equity investment held in Ferrocarr S.r.l.

The second phase of the operation was completed on 19 April 2023 and brought the Group's equity investment in ASM Terni to 45% through transfer of 20% of the capital of Orvieto Ambiente, the spin-off company of ACEA Ambiente, and of liquidity for € 2.5 million.

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

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

€ thousand	
Net balance	85,257
of which attributable to third parties	(46,661)
Goodwill/(Badwill)	1,563
Net value acquired	40,159
Net cash outflow for the acquisition	(40,159)
Cash and cash equivalents acquired	4,766
Loan Disbursement	0
Payables to banks	(10,333)
Net cash flow	(45,725)

Application of the IFRS 5 standard

An agreement was signed on 23 December 2021 with the British investment fund Equitix for the sale of photovoltaic plants held by the ACEA Group for a total of approximately 105 MW. The agreement was then finalised on 22 March 2022 with the transfer of Acea Sun Capital to the Newco AE Sun Capital, held for 40% by Acea Produzione and for 60% by Equitix; the transfer resulted in the handover of the plants already connected to the network, whereas in terms of the agreements, the transfer of the plants undergoing completion or connection is subject to obtaining the connection certificate. These plants are held by Acea Solar, Acea Renewable and Fergas Solar 2 and are included in this Report in line with the provisions of IFRS5 and in line with what was reported in the 2021 and 2022 Consolidated Financial Statements, namely:

- the measurement of such assets was made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value;
- the assets and liabilities closely associated with the group held for sale were measured and presented in the balance sheet in two specific items of the financial situation (“assets held for sale” and “liabilities closely associated with assets held for sale”). Neither IFRS 5 nor IAS 1 provide indications on the methods of presenting transactions between Continuing and Discontinued Operations. The method chosen led to presenting the reclassification of the asset and liability financial balances with the values net of the elimination of intercompany transactions;
- the economic items were presented in continuity with the previous year; from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated.

The contribution of the operation to the equity situation of the Acea Group (in €/million) as at 30 June 2023 is presented below:

ASSETS	Effect of application of IFRS 5
NON-CURRENT ASSETS	20.3
CURRENT ASSETS	0.5
Non-current assets destined for sale	20.8
LIABILITIES	Effect of application of IFRS 5
NON-CURRENT LIABILITIES	0.0
CURRENT LIABILITIES	2.1
Liabilities closely associated with assets held for sale	2.1

Furthermore, with regard to the transfer of Acea Sun Capital and its subsidiaries, it is noted that the economic items of the first six months of 2023 were presented in continuity with the previous year (line-by-line consolidation including intercompany elimination) and from the date on which the changed destination of the assets has been resolved, depreciation and amortisation were no longer recognised.

Service Concession Arrangements

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

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

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

The Group is also in charge of several former CIPE services in the province of Benevento with GESESA S.p.A. and in the municipality of Termoli with ACEA Molise S.p.A.

Finally, it is to be noted that since 2019, the ACEA Group also distributes gas in Abruzzo, in the provinces of Pescara, Aquila and Chieti, in Campania in the province of Salerno and in Molise in the provinces of Campobasso and Isernia.

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

Public Lighting - Rome

The service is carried out based on the concession of availability of assets by virtue of a deed issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its instrumental nature to the concession, expires on the same date (31 December 2027).

Pursuant to the special provision in the agreement, the service may be managed by Acea or its subsidiaries.

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

Furthermore, the investments required for the service may be applied for and funded by the Municipality or financed by ACEA. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Upon natural or early expiry – also due to cases envisaged under Law Decree no. 138/2011 – ACEA will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.

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

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

In June 2016, ACEA and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan (envisaged by special resolution of the City Executive Committee) and, consequently, amending article 2.1 of the Supplementary Agreement signed in 2011.

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

As a result of the implementation of the LED Plan, the parties partially modified the governance of relations as envisaged by the service agreement from 2007 and by its amendment (in 2011), with reference to the price list and the composition of the service management fee, as well as extraordinary maintenance (referred to as “mexo”) and the modernisation and safety of the plants, both now remuneration items separate from the ordinary fee and subject to specific agreement with Roma Capitale.

As regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and ACEA S.p.A. (and through its areti) compared with the terms pursuant to the Consip Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to ACEA S.p.A.. 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 S.p.A. With the same note, which, in any event, does not affect the Administration's intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of ACEA's ascertained receivables in relation to the Service Contract. Following this

intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables and to adopt resolutions for the acknowledgement of the off-balance-sheet payable in relation to the receivables which cannot be settled immediately. Although there are still some receivable items in dispute, following the discussions of July 2021 and up to November 2021, a large part of the outstanding amount relating to previous years was paid by Rome Capital and the verification and comparison activities with the Municipality of Rome continued. These comparisons led Roma Capitale to pay ACEA further collections relating mainly to current receivables. Hence during 2022 reconciliation activities occurred with reference to credit items and, again through offsetting, € 56.5 million was liquidated.

At the same time, the Parties initiated and continued discussions intended to reach an agreement for the early dissolution of the relationship related to the public lighting service (including the concession of assets) and for the definition of the debit/credit relationship.

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

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

Integrated Water Service

Lazio – ACEA Ato2 S.p.A. (Ato2 - Central Lazio - Rome)

The Integrated Water Service in OTA2 Central Lazio - Rome started on 1 January 2003. The management of the OTA Municipalities took place gradually and the Municipalities currently managed are 89 compared to 113 of the entire OTA. As a result of Art. 22 of Law 233 of 29 December 2021 converting Law Decree 152 of 6 November 2021 containing “Urgent provisions on the implementation of the National Recovery and Resilience Plan (NRRP) and for the prevention of Mafia infiltration”, it was established that paragraph 2-bis of Article 147 of Legislative Decree 152/2006 would now include the following: “2-ter By 1 July 2022, the independent water service operators for which the Area Governing Body has not yet given an opinion on the meeting of the safeguarding criteria indicated in paragraph 2-bis, subparagraph b), will be included in the single management system identified by the same body.

Hence, the overall situation was unchanged and, at 30 June 2023, can be summarised as follows:

Acquisition situation	No. of Municipalities
Municipalities fully acquired into the Integrated Water Service	90
Municipalities partially acquired, for which ACEA Ato2 provides one or more services	16
Municipalities with less than 1000 inhabitants that declared they did not wish to be part of the Integrated Water Service based on paragraph 5 of Legislative Decree 152/2006	7

It should also be noted that for the Valmontone purification service, which was previously managed by the associated company Acea Molise as the protected entity, the relative transfer deed was signed, as the service was returned to the Municipality which will then transfer it to ACEA Ato2 after the latter carries out revamping work on the purification plant.

Additionally, in the fourth quarter of 2022 the transfer deed for ACEA Ato2 and ACEA Ato5 was signed for the sewer service managed by the “Co.R.Ec.Alt.” Consortium, finally resolving a long-standing issue that had made it impossible the transfer for management of a part of the network for the Municipalities of Arcinazzo Romano and Trevi in Lazio, as well as that of the Municipality of Piglio, in OTA5. The transfer will be completed after already planned revamping work is finished.

The acquisition of the Drinking Water Service of the municipalities (with the exception of the 7 that exercised the right to continue with independent management based on paragraph 5 of Legislative Decree 152/2006) was, therefore, completed. However, there are 17 Municipalities in which the acquisition is still partial. Tasked with managing the entire Integrated Water Service in the Municipalities of ATO2, ACEA Ato2 must take on the missing services. Completion of these acquisitions depends on the ongoing revamping works on the plants and/or grids that need to be adjusted to the quality, quantity and security standards required for their management by ACEA Ato2.

During Q2 2023, the most substantial part of the sewerage and purification service of the Municipality of Rignano Flaminio was acquired, bringing the number of municipalities with acquisition of the entire IWS to 90; furthermore, actions are also under way for the acquisition of the management contracts of the sewerage service in the Municipality of Valmontone.

The Company provides the full range of drinking water distribution services (collection, abstraction, retail and wholesale distribution). Water is drawn from springs on the basis of long-term concessions. Water sources supply drinking water to approximately 3,900,000 residents in Rome and Fiumicino and in more than 61 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes. Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.

In order to safeguard the sources of supply and implement an increasingly sustainable management of water resources, the Company relies on the support of the study of the quantity of potential groundwater resources and the possible impacts related to the withdrawal of water, by monitoring meteorological and climate variables and implementing appropriate interpretative models. These instruments are also constantly implemented in the context of the Collaboration Agreement signed with the National Research Council’s Institute

for Water Research (CNR-IRSA), with the aim of understanding and interpreting as fully as possible the availability of water resources over time, and of elaborating early warning systems to identify water shortages.

Thanks to these now consolidated methods and instruments, ACEA Ato2 can rely on a robust and structured operating system to support its decisions and which provided this analysis for Q1 2023.

On the Apennine ridge, site of the main aquifers managed, the rainfall accumulated in the first half of the year recorded significantly lower quantities than the average values of the historical series of reference, thus representing a situation of significant water deficit. Precipitation in June, caused by high rates of evapotranspiration, led to a near-zero rate of effective infiltration: this implies, for the main aquifers managed, negligible groundwater recharge contributions. The forecast model for water availability at sources provides an outlook of modest water recharge for most of the aquifers managed by ACEA Ato2, where a continual succession of groundwater depletion curves are moving towards minimum flow values close to those observed in the previous hydrological year.

With reference to the distribution networks, in the first half of 2023 the campaign to reduce physical and commercial losses and improve network efficiency has continued. Specifically:

- the efficiency improvement activities on the distribution networks continued in the areas recently acquired and will continue in the areas of Rome and Castelli Romani as envisaged in the Water Networks NRRP project;
- the search for hidden leaks was carried out through a punctual and systematic analysis of the networks according to the anomalies emerging from the monitoring of the water districts implemented;
- works on 3 new pressure regulation hubs were finalised. These will soon be operational and are capable of actively managing water pressure and reducing pipe bursts across the distribution networks, and works are ongoing for the creation of an additional 2 major regulation hubs;
- digitalisation and insertion into the GIS system of recently acquired assets continued and, at the same time, remote control measures are being installed for the new supply and distribution systems that were acquired, with the aim, by 2023, to provide reliable water balances on the new assets managed, through the WMS system. In the first half of 2023, approximately 460 km of network has been added to the company GIS system for the various municipalities in the province, as well as 32 measurement instruments essential for determining the water balance;
- actions aimed at ensuring the administrative regularisation of cases of unlawful withdrawals, supplies not reactivated, contracts not correctly transferred from previous managements, etc., continued, including with the use of new strategies and the Waidy Management System.

With reference to the purification segment, at 30 June 2023, ACEA Ato2 manages over 7,500 km of sewer networks (of which 6,700 mapped on GIS), 662 sewerage pumping stations – of which 182 in the Roma Capitale area – and a total of 165 waste treatment plants (of which 30 in the Roma Capitale area), for a total quantity of treated water equal to 294.3 Mmc (data referring to managed treatment plants only at 30 June 2023).

Note that with reference to public financing envisaged in the National Recovery and Resilience Plan (NRRP), deriving from Ministerial Decree 517 of 16 December 2021, issued by the Ministry of Infrastructure and Sustainable Mobility, which calls for projects on potable water and/or irrigation supply systems to optimise and complete water infrastructure for the derivation, storage and discharge of the resource, with the aim of improving climate change resilience, improving the security of existing infrastructure and reducing water waste, Acea Ato2 is identified as

- the Implementing Party for the 4 financed sub-projects, as reported below, for a total of € 150 million:
 - New Marcio Acquedotto – 1 lot for € 57 million;
 - Raddoppio VIII Syphon - Casa Valeria Section – Ripoli Tunnel Exit € 41 million;
 - Monte Castellone – Colle S. Angelo (Valmontone) Pipeline € 29 million;
 - Ottavia – Trionfale Supply System € 23 million.
- as the second-level Implementing Party of the efficiency project on the distribution networks, financed for a total of € 50 million (the Beneficiary is the AGB Ato2 - Central Lazio - Rome).
- as the second-level Implementing Party for adjustments to the sludge line of the Ponte Lucano purification plant, financed for a total of € 5.3 million (the Beneficiary is the AGB Ato2 - Central Lazio - Rome).

At the 30 November 2022 meeting of the Conference of Mayors of ATO2 Central Lazio - Rome, with Resolution 13-22 the regulatory scheme was adopted on updating of the tariffs established for 2022-2023, based on ARERA resolutions ARERA 639/2021/R/idr and 229/2022/R/idr. Pending approval by the Authority, pursuant to paragraph 7.2 of ARERA resolution 580/2019/R/idr, the 2020-2023 tariff is applied, as approved by the Authority with resolution 197/2021/R/idr.

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

- confirmation of the placement of Scheme V within the regulatory scheme matrix pursuant to article 5 of Annex A to resolution 580/2019/R/IDR (high investments with respect to the value of existing infrastructure and average per capita GRC higher than the average national value determined by ARERA), already approved with ARERA resolution 197/2021/R/idr;
- Works Programme for 2022-2023 of over € 805 million, equal to around € 110 per year per capita, up by around € 90 million with respect to that approved for 2020-2023; for the subsequent 2024-2032 period, an additional amount of around € 4,200 million is planned (€ 890 million more than that approved for 2020-2023);

- confirmation of the theta tariff multiplier (to be applied to the tariff in force at 31 December 2019) of 1.139 for 2022 and of 1.202 for 2023, in line with that already approved in ARERA resolution 197/2021/R/ldr;
- confirmation of the value of the "psi" parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/IDR is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNInew);
- use of the amount of the integrated water bonus for all of 2021 not utilised to reduce tariff adjustments for 2020 and 2021, specifically around € 6 million.

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

- 40 m³ per year for every member of the household, for direct and indirect users with ISEE up to € 8,265;
- 20 m³ per year for every member of the household, for direct and indirect users with:
 1. ISEE indicator up to € 13,939.11 and household of up to 3 members;
 2. ISEE indicator up to € 15,989.46 and household with 4 members;
 3. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Other events worthy of note in relation to Conference of Mayors resolutions are the update of the Services Charter (resolution 10-22 of 29 September 2022) and the User Regulations (resolution 12-22 of 30 November 2022), adjusted to current regulations.

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

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

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

- to the so-called "white water" for which the appealed resolution "does not impact in a broad sense on the ongoing management agreements";
- to mixed sewerage, stating that "in these cases, since it is not possible to quantify the volumes of water that flow into the sewerage networks from the various points of input, and therefore to break down the relative costs, it responds to economic rationality fees so that the tariffs also cover the costs deriving from the collection and treatment of white water";
- to the financial expenses on adjustments, for which it is confirmed that since the operator incurs an objective cost deriving from the fact that the level of the tariffs initially set by the area governing body is insufficient to cover the costs of the service, the recognition of this financial cost cannot be renounced. Due to this, the Authority must then provide, during determination of the adjustment, for a correction to cover the financial expense on adjustments. The regional administrative court rejected the reason concerning the provision of a cap on adjustments.

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

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

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

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

In February 2020, ACEA Ato2 also challenged Resolution 580/2019/R/ldr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the ACEA Group that have challenged MTI-3 are ACEA Ato 5, Acea Molise and Gesesa (which had not previously challenge the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/IDR for the adoption of urgent measures in the integrated water service, in the light of the COVID-19 emergency was also appealed. We are awaiting the scheduling of the hearing.

In February 2022, ACEA Ato2 filed an appeal against resolution 639/2021/R/ldr relating to the two-year tariff update for 2022 and 2023. The challenge of the provision, also carried out by the subsidiaries and/or investee companies of the ACEA Group such as ACEA

Ato5, ACEA Molise, Publiacqua, Acquedotto del Fiora, Gori, Gesesa, Umbra Acque and SII Terni, confirms many of the reasons already advanced against the previous tariff resolutions, adding new ones linked to the new regulation enunciated by ARERA. In relation to the reasons pertaining to the new provisions, note both the mechanism for recognition of the cost of energy, deemed inefficient to intercept the real contingent situation, as well as the provisions with which ARERA declared that it wishes to comply with the law of the Council of State on financial expenses on adjustments, treatment of the New Investments Fund and redefinition of the quota subject to reimbursement to users pursuant to Resolution no. 273/2013.

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019. In particular, the aforesaid revenues are consistent with the biennial update of the 2020-2023 tariff arrangement approved by the Mayors' Conference of OTA2 on 30 November 2022 and subsequently by ARERA on 17 January 2023.

The revenues of the period amounted to € 375.9 million: they include the estimate of adjustments to pass-through items, the FoNI component of € 37.3 million (€ 25.6 million for the FNI component and € 11.7 million for the AmmFoni).

Lazio – ACEA Ato5 S.p.A. (OTA 5 - Southern Lazio - Frosinone)

ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.

The management of the integrated water service in the OTA 5 region - Southern Lazio - Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are "outside the scope") for a total population of about 489,000 inhabitants, a population served of 455,164 inhabitants, with a service coverage equal to approximately 93% of the territory. The number of users is 202,303.

The drinking water system comprises supply, abstraction and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate.

The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals. There are 232 sewerage pumping stations managed by the Company and 127 treatment plants, including the "inaccessible" plants and those outside the OTA (Rocca d'Evandro and Conca Casale).

In 2023, the digitisation of the networks of the managed area continued, with the inclusion of data in the GIS - Geographic Information System. For significant activities, at 30 June 2023 the size of the water network is 6,201 total km (1,233 km supply + 4,968 km distribution).

With regard to the acquisition of the systems relating to management in the Municipality of Paliano, the SII is currently still managed by AMEA, in which the Municipality of Paliano is an investor. Relative to this management, in November 2018 the Council of State issued a definitive judgement on the appeal filed by the Municipality of Paliano against the Regional Administrative Court judgement 6/2018, which accepted the Company's appeal relative to the Municipality, to obtain annulment of the provision with which the Municipality rejected the transfer of service. Hence, with judgement 6635/2018, the Council of State rejected the appeal presented by the Municipality of Paliano and confirmed the Latina Regional Administrative Court's decision, noting that the protective regime in favour of AMEA was "circumscribed to a period of three years starting from the signing of the Management Agreement between OTAA 5 and ACEA OTA 5. This term was to expire in 2006, after which date the management by AMEA was considered without title".

Since ACEA Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of AATO 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to ACEA Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties – with deeds of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the SII, subsequently updated in 2020 and 2021, also identifying necessary projects for the work in terms of purification and sewage.

The Parties subsequently held other meetings, together with the Operational Technical Secretariat of ATO5, in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to ACEA Ato5. The fact that not all required information has been received and disputes relative to the methods used to transfer the infrastructure and management of the SII have been documented in notes sent between the parties and in reports sent to the Operational Technical Secretariat and the Lazio Region, with the latter asked to begin commissioner proceedings to apply the substitute powers pursuant to article 172, paragraph 4 of Legislative Decree 152/2006, as amended.

In August 2022 a Technical Panel was set up, comprising, according to the topic addressed, representatives from the OTS of ATO5, AMEA S.p.A. and ACEA Ato5 S.p.A., in order to collect useful information and documentation for the assessment of the accounting entries to be transferred from AMEA to the Operator and to be inserted in the rate tools (RDT file), by the mandatory deadline of 30 September 2022. After such deadline, substitute powers would be activated through the Lazio Region.

Following the meeting held at the headquarters of the Lazio Region on 8 November 2022 and in light of the difficulties that arose, said Region sent to the Municipality of Paliano, to the AGB and to the Operator, a formal warning to transfer the integrated water service and the water infrastructure of the Municipality with their assignment under loan free of charge to ACEA Ato5, as envisaged by current national and regional regulations and by the obligations arising from the management and cooperation agreements.

On 30 January 2023, with a note ref. 39201/23 sent to the Bodies involved, the Company reiterated that there were no additional communications from the Municipality of Paliano regarding its obligations required for the transfer of the Integrated Water Service

and of the infrastructure to the single operator under loan free of charge. No useful updates have been provided in this regard at the reporting date.

With regard to the Municipality of Atina, whose management of the IWS has been transferred to ACEA OTA5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to “establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2 bis of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a ‘local public service without economic importance”.

OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court - Latina Section - also serving the Company and the Lazio Region.

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

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality’s request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006 in its final stages.

With regard to significant events that took place during the year, it should be noted that:

Appeal to the Lazio – Latina Regional Administrative Court (docket no. 308/2021 section I) for the annulment of Resolution no.1 of 10 March 2021

ACEA OTA5 has petitioned the Latina division of the Regional Administrative Court of Lazio, requesting the application of appropriate precautions and the cancellation of Deliberation No. 1 of 10 March 2021 (published on 18 March 2021) containing the tariff decisions for 2020-2023 made pursuant to ARERA Deliberation No. 580/2019/r/idr "Approval of the Water Tariff Method for the third regulatory period MTI-3 " as amended - in which the OTA 5 Conference of Mayors approved the IWS (integrated water services) tariff for the 2020-2023 regulatory period. Specifically, the operator challenged the part of the Deliberation that rejected the justified requests for recognition of the increased cost of adapting to the service quality standards (OpexQC), recognition of the higher costs of arrears (COmor) and the part that postponed the recognition of the adjusting payments due to the operator (RcTOTa) to future regulatory periods and to the end of the concession (on the Residual Value - RV at the end of the concession).

At the hearing on 26 May 2021, the Regional Administrative Court, recognising that the matter was highly complex and required further analysis, set the trial for 15 December 2021. On 21 December 2021, the Lazio Regional Administrative Court - Latina Section with Sentence No 691/2021 deemed the appeal inadmissible. The Company appealed to the Council of State with a hearing set for 10 March 2022, at the end of which the Board rejected the appeal and adjourned the case for a decision. The Company prepared two requests for withdrawal (one in April 2022 and one in March 2023). The date for the hearing on the merits has not yet been set.

Injunction order for payment of € 10,700,000 and counter-claim by OTAA 5 for concession fees

On 28 February 2017, sentence no. 304/2017 of the Court of Frosinone was published, related to civil judgement RG 1598/2012, pending between ACEA OTA5 and the Optimal Territorial Area Authority no.5.

Indeed we recall that the Company had acted, in 2012, with the proposition of a monitory action intended for the recovery of its credit (for the amount of € 10,700,000.00) arising from the Settlement Agreement signed with the Area Authority on 27 February 2007, in implementation of the resolution of the Mayors’ Conference no.4 of 27 February 2007 relating to recognition of higher operating costs incurred in the three-year period of 2003-2005 in the start-up phase of the Concession.

The Area Authority had opposed the injunction, disputing the existence of the credit and the validity of the Transaction on the presumption that the same had been replaced by the annulment by own determination of Resolution no. 4/2007 (made as a result of subsequent Resolution of the Mayors’ Conference no. 5/2009). Furthermore, the same Area Authority had disputed the legitimacy of the Transaction, since, in its words, the same had been adopted in violation of the regulations in force pro-tempore and specifically the Normalised Method as per Italian Ministerial Decree 1.08.1996. Finally, the Area Authority – in formulating an objection to the injunction order, for the substantial reasons mentioned above – had also filed a counter-claim intended to obtain the payment from the Company of the concession fees related to the 2006-2011 period and quantified as € 28,699,699.48.

In this context, the Court of Frosinone, with sentence no. 304/2017:

- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no.5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settlement Agreement of 27.02.2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called “price cap” principle is only valid for any tariff increases;
- annulled the injunction order on the assumption of the nullity of the Resolution of the Mayors’ Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;
- rejected the requests prepared subordinately (in the event that the Settlement Agreement had been declared invalid) by ACEA Ato5 defence attorneys, intended to obtain recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority, which, it is useful to note, in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt,

describing the existence of a residual credit of approximately € 7,000,000.00. At the hearing on 17 November 2017, the following documents were filed on behalf of ACEA Ato5: copy of the transfer of 31 July 2017 for € 2 million; copy of the transfer of 4 October 2017 for € 2,244,089.20 and the Acea Memo dated 16 November 2017. With reference to the latter memo, the following were highlighted:

- a. the commitment of ACEA Ato5 to pay € 1,370,000 by December 2017;
- b. the dispute of any other indebtedness regarding concession fees.

In response to production of the above documents, the counterparty – initially convinced to recognise the sums of the transfers of 31 July 2017 and 4 October 2017 as contributing to the sums due by ACEA Ato5 for the Concession Fee – acknowledged the production of the documents, declaring the requirement, including due to the content of the Memo dated 16 November 2017, to “refer” to O.O.T.A. 5. In light of the above, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. During the aforesaid hearing, documents were submitted attesting to the latest payments by ACEA Ato5 in favour of O.O.T.A.5. Consequently, the Company – through its lawyers – described that:

- in response to the commitment to pay € 1,370,000 by December 2017 – ACEA Ato5 paid:
 - € 1,287,589.00 on 5 January 2018, directly to OTAA 5;
 - € 85,261.93 on 22 November 2017 to the Consorzio Valle del Liri (as part of the larger payment of € 178,481.68 in execution of the settlement agreement of which said Area Authority is part, in which, under art.2.1, it was acknowledged that the payment of € 178,481.68 would count towards the 2010-2011-2012-2013-2016 fees); for a total of € 1,372,850.93;
- with these latest payments, ACEA Ato5 has fully paid the entire concession fee related to the 2006-2012 period: the above is also expressed by Executive Resolution of the OTS no. 88 of 8 November 2017. In particular, express recognition is given of the fact that “in response to established and/or subsequent payments of the concession fee by the Operator, it has to date paid up to the year 2012”.

At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of ACEA OTAA5 and OTAA 5, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. At this hearing there was a postponement until 20 December 2019. The proceedings were first postponed to 17 March 2020, then automatically postponed to 11 September 2020 and then to 15 December 2020. The case was further postponed to 12 February 2021, then again to 26 March 2021. At the hearing on 27 April 2021, the Judge reserved judgement on the technical expert and, on 30 April 2021, set the date to appoint the expert for 11 May 2021 and, subsequently, the launch of the expert appraisals for 26 May 2021. The technical expert’s report was to be submitted by 10 November 2021 and the technical expert’s examination was set for the hearing on 30 November 2021. At the subsequent hearing of 15 December 2021, the Company formalised a settlement proposal, in order to settle the dispute amicably. This proposal was evaluated by the Mayors’ Conference of OTAA 5. The judge set the date of 12 April 2022 for the hearing of the final arguments and then adjourned the case to a later hearing on 31 May 2022. At that hearing, the court acknowledged the rejection by OTAA 5 of the settlement proposed by the Company and set the parties a period of time by which to file their final arguments, adjourning the matter for a decision.

A ruling was issued on 31 May 2023 with which the Judge deemed the debt on the basis of the payments made by Acea during the legal proceedings to be extinguished. Furthermore, the Judge, in particular, recognised an overpayment by the Company equal to the difference between the sum due (equal to € 26,313,251.50) and the sum effectively paid by ACEA Ato5 (equal to € 28,690,662.85), equal to € 2,377,411.35.

In connection with these proceedings, the appeal must be considered against judgement no. 304/2017 of the Court of Frosinone that revoked the court order of € 10,700,000, initially issued by said Court.

The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure. The proceedings were postponed to 30 June 2021, then to 6 July 2022, then again to 10 May 2023 and subsequently to 13 December 2023.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by ACEA OTAA5 to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.

The validity of the appeal and of the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In the Conciliation Proposal sent to the parties on 26 November 2019, previously approved by the Board of Directors of the Company on 19 December 2019 and currently being examined by the Mayors’ Conference of OTAA5, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the "savings on the concession fees to be paid to the Municipalities" (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to "unspecified savings on the concession fees to be paid to Municipalities" was not considered adequate and sufficient;
- considered that there are valid and grounded reasons to grant the Operator's request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company's financial statements.

Updating of the concession fee

With Resolution no. 1 of 26 March 2018, Conference of Mayors ordered that the payment of the instalments of loans taken out by Municipalities, from the second half of 2013 until the end of the Concession, shall be disbursed directly by the Operator. Consequently, with the tariff update ordered on 1 August 2018, by immediately implementing the provisions made by ARERA contained in the sanctioning measure DSAI/42/2018/idr, with regard, among other things, to the fees relating to unmanaged Municipalities, the mortgage component of the Concession Fee was adjusted in 2019 by adding the amount of the same specified in the annex to aforesaid Resolution no. 1 of 26 March 2018. No adjustment of the mortgage component was implemented for the years 2012-2018, as Resolution no. 1 of 26 March 2018 did not imply any change to the amount of the mortgage component approved in the various tariff provisions. In addition, any recalculation of loan costs (MTp) must be approved by the Conference of Mayors and must be included in the Economic and Financial Plan (EFP) of the next tariff update in view of the fact that, even at the time of approval of the tariff update 2018-2019, approved by the Conference of Mayors on 1 August 2018, nothing was established regarding the fees for the above years. For the reasons set out below, the Company did not consider that the obligation to pay this difference to the Area Authority had failed, and therefore it did not reduce the provisions in its financial statements for concession fees:

- The aforementioned Resolution of the Conference of Mayors has made no provision for the difference;
- In compliance with the regulations in force, the quantification of the concession fees is the exclusive responsibility of the Area Authority and therefore any recognition of the difference (with consequent extinction of the relative obligation) can only take place following the revision of the tariffs for the years 2012-2018 and the relative Economic and Financial Plan (EFP) by the Area Authority;
- When reviewing the tariffs for the two-year period 2018-2019 and the related EFP, the Area Authority implemented the reduction in concession fees only as from 2018 (with a substantial reduction of about € 1,658 thousand in 2018), leaving those for the 2012-2018 years unchanged;
- For the 2013 financial year, the AGB had issued invoices to the Company for the difference between the concession fee resulting from the relevant tariff and the charges for the loans that the Operator had paid to the municipalities based on the aforementioned Resolution;
- The exact quantification of the concession fees for the aforementioned years and the assessment of their reallocation and treatment for tariff purposes was an open issue for both parties, so much so that it was referred to the Conciliation Board established between OTAA 5 and the Operator, in accordance with the provisions of art. 36 of the Agreement.

It should also be noted that since it is a so-called "pass-through cost" in the tariff definition, i.e. charged as a tariff without any economic return for the Operator (a sort of collection on behalf of third parties), its effect is substantially neutral in the Operator's financial statements: it is recorded as revenue and at the same time and in equal measure as a cost. For this reason, even if the Company mistakenly did not fulfil its obligation to pay the difference and recognised out-of-period income as an adjustment to the amount due for the concession fee, it would have had to recognise out-of-period income of the same amount following a reduction in the adjustments for the years 2012-2018, with clear economic effects that are insignificant from both a statutory and fiscal point of view. It should be noted that on 27 November 2019 the aforementioned Conciliation Board submitted to the Company and to the Area Authority a specific Conciliation Proposal, with an attached deed still to be signed. In these documents, the Conciliation Board has, among other things, put forward a proposal to reduce the tariff adjustments claimed by the Operator by the difference of € 12,798 thousand between the concession fees approved in the various tariff arrangements for the years 2012-2018 and the amounts to be paid directly to the municipalities on the basis of Resolution no. 1 of 26 March 2018. This proposal for allocation to offset existing receivables confirms the Operator's indebtedness of this difference, corroborating the Company's decision not to release the related liabilities in its financial statements.

Criminal proceeding no. 3910/18

With regard to criminal proceeding no. 3910/18 r.g.n.r. of the Public Prosecutor in the Court of Frosinone, on 2 January 2019 a preventive seizure decree was issued on 18 December 2018 by the Judge for Preliminary Investigations at the Court of Frosinone as part of criminal proceedings no. 3910/18 r.g.n.r., pending for the alleged violation of art. 4 of Italian Legislative Decree 74/2000 (inaccurate declaration). Pursuant to the aforementioned provision, the preventive seizure of financial resources in the accounts held in the name of ACEA OTA5 up to a value of € 3,600,554.51 was ordered. On 11 January 2019, a request for a review was filed, whose discussion hearing was scheduled for 1 February 2019 before the Court of Frosinone, as a unified bench. At the outcome of the

forementioned hearing in the Council Chamber, the Court of Grosseto upheld the proposed re-examination request and, as a result, cancelled the preventive seizure decree, ordering the restitution to the person entitled thereto. Based on the aforementioned restitution order, the Company sent a formal request to the Single Justice Fund for the restitution of the sums released. To date, the restitution procedure has been resolved with the release of the sums by the Single Justice Fund. This case was combined with criminal proceeding no. 2031/16 r.g.n.r.

At the same time, however, a court summons had been sent to a former Executive of the Company. At the hearing set for the discussion of the preliminary matters and for the opening statement of the proceedings itself, it will be recorded that the facts of the count of indictment are the same as those for which criminal proceeding RGNR 2031/2016 is pending.

The first evidentiary hearing was held on 19 October 2021. The case was adjourned until 16 November 2021, for the lifting of the reservation imposed by the court in view of the plea of lack of territorial jurisdiction made by the plaintiff's counsel. The preliminary issue was rejected and postponed to 19 April 2022 and then until after the hearing on 27 September 2022 to examine the documents indicated in the Public Prosecutor's list. This hearing was further postponed for the same impending to 21 February 2023 and subsequently to 19 September 2023 to examine the accused and two defence witnesses and to 3 October 2023 to complete the examination of the defence witnesses.

ARERA sanctioning measure concerning IWS tariff regulation

With determination no. DSAI/42/2018/IDR of 21 May 2018, ARERA started a sanctioning procedure regarding the tariff regulation of the integrated water service, the result of the audit carried out by the ARERA in collaboration with the Special Energy Unit and the water system of the Guardia di Finanza from 20 to 24 November 2017 at the Company's offices.

On 4 July 2019, ARERA published Resolution 253/2019/S/IDR of 25 June 2019 imposing administrative fines on ACEA OTA5, pursuant to article 2, paragraph 20, letter c) of Italian Law 481/95, for a total amount of € 955,000.00 for violations alleged in Determination DSAI/42/2018/IDR.

On 3 October 2019 the Company filed an appeal with the Lombardy Regional Administrative Court against the aforesaid measure to have it thrown out, and to have the amount of the fine reviewed.

Moreover, following the submission of the appeal, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.

Regarding the appeal in question, there is no information as of today regarding the setting of the hearing. In any case, also because of the penalty payment reminder sent by ARERA on 16 October 2019, the Company paid the entire penalty imposed on it.

The hearing for discussion of the merits of the appeal took place on 10 May 2023.

Following the hearing for discussion held on 15 May 2023, ruling no. 01375/2023 of the Regional Administrative Court of Lombardy was published on 3 June 2023. It annulled ARERA Resolution no. 253/2019/S/idr of 25 June 2019, which, following violations of tariff regulation, had imposed a pecuniary sanction of equal amount on the Company. The appeal presented by the Company was then accepted and, as a result, the appealed provision was annulled.

AGCM sanctioning measure - Proceeding PS9918

On 5 July 2018, in implementation of the Resolution adopted by the Italian Antitrust Authority on 27 June 2018, an audit took place at the registered office of the Company following the initiation of the proceeding pursuant to art. 27, paragraph 3 of Italian Legislative Decree no. 206 of 2005, as well as pursuant to art. 6 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violations of consumer rights in contracts and unfair terms" (hereinafter Regulation). The proceedings were opened in response to reports made to the Authority by the Consumer Associations CO.DI.CI. and Federconsumatori Grosseto regarding alleged incorrect and aggressive behaviour towards consumers and small businesses by ACEA OTA5 in the period January 2015 - June 2018.

On 20 February 2019, the AGCM, with regard to the PS/9918 proceeding, announced that it had extended the deadline for the conclusion of the proceeding to 23 May 2019.

On 28 February 2019 the AGCM announced that it had extended the deadline for the conclusion of the preliminary phase of procedure PS/9918 – set at 20 March 2019 – with the simultaneous clarification of the high charges against the Company. In particular, the Authority abandoned some of the initial disputes, confirming instead that it had detected some critical issues concerning: (i) initiation of collection procedures pending complaint for the period prior to the corporate procedure of 2018; (ii) consumption limitations, for the period prior to the change made in January 2019 to the procedure implemented by the Company with regard to the limitation period; (iii) management of hidden water losses. On 20 March 2019 the Company filed a defence brief and supporting documentation.

On 4 July 2019, the Authority notified the Company of the sanctioning measure with a pecuniary administrative sanction totalling € 1.0 million was imposed. On 3 October 2019 the Company filed an appeal with the Lazio Regional Administrative Court – registered under docket no. RG 12290/2019 section I – against the aforesaid sanctioning measure, requesting its cancellation with precautionary suspension. In the Chamber of Council of 6 November 2019 to discuss the request for precautionary suspension, the Regional Administrative Court of Lazio issued Order no. 7223 with which it rejected the application for precautionary suspension.

The decision of the Regional Administrative Court does not address the individual grounds of the appeal, which will only be ruled on at the hearing, yet to be scheduled. In particular, according to the administrative judge "with regard to the extent of the financial penalty imposed and the feared consequences on the business activity, it does not appear to be extremely serious and urgent as per art. 119, paragraph 4 of the Italian Criminal Code for the granting of the requested precautionary protection, also taking into account the fact that the claimant company is in any case entitled to file a request for payment in instalments".

In view of the aforesaid decision, since the Company has the power to do so, on 3 December 2019 the Company submitted to the Authority a request for payment in instalments, which the Authority accepted on 21 January 2020.

With reference to the appeal filed by the Company with the Regional Administrative Court of Lazio, at the hearing on the merits of 22 February 2023, following discussion of the parties, the case was adjourned for a decision. On 23 May 2023, the Ruling of the Regional Administrative Court of Lazio was published, which rejected the appeal of ACEA Ato5 against AGCM. The Company is assessing whether to submit an appeal to the Council of State.

On 26 February 2020, a request for information was received from the Italian Competition Authority pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms" regarding the effectiveness of the measures put in place by Acea OTA 5 following sanction no. 27798 of 5 June 2019, adopted at the outcome of the PS9918 preliminary investigation procedure.

In particular, with reference to the July-December 2019 and January-February 2020 periods, the Authority requested specific information about:

- a. the number of claims received, distinguishing and specifying the reason for each individual claim;
- b. number of claims accepted and number of claims rejected;
- c. number of payment reminders and disconnection notices sent to the users;
- d. number of executive procedures begun to collect overdue amounts;
- e. number of water service disconnections carried out, indicating the reasons and the procedures followed.

On 17 March 2020, the Company responded to the aforementioned request, highlighting the improved pro-consumer management of the relationship with users.

In particular, the evidence submitted confirmed that:

- ☐ No requirements had been imposed by the Authority with regard to the verification referred to in Sanction Order no. 27798 of 5 June 2019. In fact, the Company had already improved its performance of the activities in question during the audit;
- ☐ The Company had for some time already implemented or modified its procedures – in compliance with current sector legislation – in order to best meet the changing needs of consumers, also to take into account the regulatory measures recently adopted by ARERA;
- ☐ In light of these considerations and taking into account the data available to date, no relevant findings emerged with regard to the requests made by the Authority. At present, there are no updates nor have additional requests been received from the Authority.

Lastly, it should be noted that with reference to the appeal filed by the Company with the Regional Administrative Court of Lazio, at the hearing on the merits of 22 February 2023, following discussion of the parties, the case was adjourned for a decision. On 23 May 2023, the Ruling of the Regional Administrative Court of Lazio was published, which rejected the appeal of ACEA Ato5 against AGCM. The Company is assessing whether to submit an appeal to the Council of State.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. After lifting the reservation, the investigating judge made an order accepting all the parties allegedly damaged by the crime in dispute, apart from Free Monte and Codici Onlus. After action was taken by several civil parties, ACEA OTA5 and OTA5 Lazio Meridionale Frosinone were also summonsed in civil proceedings, for the charges ascribed to the defendants.

In light of this, the hearing was adjourned until 18 February 2022, when ACEA OTA5 filed an appearance as a civil party. The judge then adjourned the case until 14 March 2022 to allow the Public Prosecutor and the civil parties to file counter-claims on the plea lack of territorial jurisdiction made by the defendants' counsel.

In an order dated 14 March 2022 the judge rejected the plea of lack of jurisdiction and adjourned the case to a hearing on 28/03/2022, when the defendants would be called. The preliminary hearing was then adjourned until 29 April 2022 for the Public Prosecutor's indictment and for the examination of the civil parties and the party held liable. The judge also set two other dates (23 May 2022 and 27 June 2022) for a hearing of all the defence arguments. The hearing for discussions was postponed to 19 September 2022 and then further postponed, first to 14 November 2022 and subsequently to 10 February 2023.

Following the hearing on 10 February 2023, the judge of the Court of Frosinone, accepting the Company's requests, ruled that the case could not proceed against the directors of ACEA Ato5 given a lack of grounds for the crimes of:

- ☐ Fraud in public services (water service tariffs);
- ☐ Impeding public tenders - Disruption of freedom in the choice of the contracting party;
- ☐ Embezzlement.

The Judge also declared their lack of jurisdiction, referring to the Court of Rome the crimes of:

- ☐ Fraudulent financial statements;
- ☐ Inhibiting the exercising of the functions of the authority;
- ☐ Tax crimes with reference to income taxes.

Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)

With Injunction No 1131/13, No rg 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to ACEA Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.

The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order ACEA Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.

The Municipal Administration also requested that ACEA Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone No 4164/2013 is in its final stages.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by the parties in an agreement signed on 30 December 2021. The objection to the injunction order will be suspended until the parties' fulfilment of their commitments has been verified. The opposition proceedings will firstly be adjourned in order to allow verification of compliance, and will only be closed after the due and proper performance of the settlement agreement pursuant to Art. 309 of the Code of Civil Procedure. As a result, the Company has decided to set aside these sums in a provision for risks, in order to cover any costs deriving from the agreement.

The case was thus adjourned until 17 March 2023 and, subsequently, to 19 December 2023, in order to verify compliance with the obligations of the settlement agreement. To date, the activities carried out are in line with the schedule agreed by the parties.

Tax audit

On 7 March 2018 the Guardia di Finanza - Economic and Financial Police Unit of Frosinone - Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.

On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.

On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TK00C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against the said assessment before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.

In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.

It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.

It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.

As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017. With reference to the findings related to the lack of jurisdiction disputed for 2015, supported by its tax advisors, having carried out the appropriate assessments of the risk profiles related to the aforementioned findings, the Company allocated a provision for tax risks for approximately € 701thousand, whereas, with reference to the other findings, supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.

Also in relation to the aforementioned last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- notice of assessment no. TKQOE6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOC6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of Ires assessment were served to the Parent Company ACEA as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless.

The PTC of Frosinone accepted the company's defensive arguments and cancelled the notices related to IRES years 2013 and 2014 and IRAP year 2014 ordering the Agency to pay the costs.

The Revenues Agency lodged an appeal. The Company entered an appearance at second instance by filing counterarguments. The case is pending as a hearing is still to be fixed.

On 23 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQOE6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;

On 28 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQOE6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company ACEA as consolidating company.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. The hearing relative to the aforementioned IFES rulings was set for 27 September 2022. An additional hearing has been set for 14 February 2023, on 16 May 2023 the decision was subsequently withheld.

AGCM feedback on purification and charge of sewerage and purification fees

On 13 March 2020, a request was received from the AGCM for information pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms", with specific reference to the application of the tariff for purification services in the territory of the municipality of Vicalvi and the other municipalities managed by ACEA OTA5.

This request stemmed from the clarification note sent by the Municipality of Vicalvi at the beginning of 2020 and recalled by the same Authority in which it was asked to justify this attribution in view of the fact that only Imhoff tanks are used in the municipal territory and there are no purification plants.

Specifically, the Authority asked to know:

- Details of the municipalities in which no purification service is offered;
- The number of users residing there who are charged for the purification service;
- Any initiatives taken for the activation of new and/or additional treatment plants, specifying the date of their entry into operation.

In this regard, having to deal with the exceptional operational difficulties related to the extraordinary emergency situation created following the spread of COVID-19, which inevitably affected the timing of the collection of the requested information and the preparation of the subsequent response – whose deadline was set at 2 April 2020 – it was considered appropriate to request an extension of the deadline to 30 April 2020.

On 30 April 2020 the Company responded to the request for information received from the Antitrust Authority regarding the application of the tariff for purification services in the territory of the Municipality of Vicalvi and the other municipalities managed by ACEA Ato5, with note no. 0141201/20.

In particular, with regard to users residing in the municipalities not currently served by purification who are charged for the aforementioned service, equal to 387 users (out of approximately 17,028), the Company replied to the Authority that it would promptly return this charge and exempt the aforementioned users from the purification portion of the tariff. The return has been arranged automatically and regardless of any petition or request by users, and even in the absence of any report about the lack of a purification system available to the users, in accordance with the provisions of the ruling of the Constitutional Court no. 335/2008.

Subsequently, the Company acknowledged the numerous initiatives currently under way to ensure the operation of treatment plants located in the municipalities not yet served, also on the basis of specific commitments made with Optimal Territorial Area Authority no. 5 and included in the Works Programme (WP).

Finally, with specific reference to the position of the Municipality of Vicalvi, the Company has provided the necessary clarification regarding the charge made to users residing in the aforementioned municipality of the tariff relating to the purification service, specifying that this charge is legitimate due to the presence in the municipal territory of Imhoff tanks, delivered to the Company at the time of the transfer of the IWS, which are in fact, both at an operational and regulatory level, purification plants, so much so that the costs of managing them have been recognised and approved by OTAA 5 in the 2016-2019 tariff preparation.

The above demonstrates that, unlike what was stated by the Municipality of Vicalvi, the provision of a charge in the tariff for the costs of managing Imhoff tanks – through the tariff item relating to the purification service applied to users whose discharges flow into such system – is entirely lawful, and as recognised by the Operational Technical Secretariat of OTAA 5 it is consistent not only with the tariff method approved by ARERA with Resolution no. 580/2019/idr, but also and above all with the principles affirmed by the Constitutional Court with judgement no. 335 of 2008, according to which the tariff, as a contractual consideration, must "express the industrial cost

of the water service represented by the integration of collection, supply, distribution, collection and purification services". At present, there are no updates nor have additional requests been received from the Authority.

With reference to **Tariffs**, with Resolution 664/2015/R/Idr of 28 December 2015, ARERA approved the Tariff Method for the second regulatory period "MTI-2", defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-2, the Company continued to provide the Area Authority with information and clarifications useful for preparation of the 2016-2019 tariff. Despite the sending of these documents, the Area Authority did not prepare any tariff proposals for the 2016-2019 period. Therefore, seeing the inaction of the Area Authority, on 30 May 2016 the Company sent to the OTAA 5, via certified email, cc'ing ARERA, the tariff request pursuant to art. 7, para. 7.5 of Resolution 664/2015. With a note ref. no. 19984/P of 13 July 2016, ARERA convened the Area Governing Body and the Operator for a meeting on 19 July 2016. After this meeting and based on the tariff preparation carried out by the OTAA 5 TOS, the Conference of Mayors was convened for 29 July 2016. This Conference also did not lead to any tariff decision. Responding to the tariff request made by the Operator on 30 May 2016, ARERA sent OTAA 5, on 16 November 2016, a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the second regulatory period 2016 - 2019, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days. After the warning from ARERA, on 13 December 2016 OTAA 5 approved the tariff proposal. At present, definitive approval by ARERA is awaited.

With Resolution 918/2017/R/Idr of 27 December 2018, ARERA created regulations for the two-year update to tariffs for the integrated water service.

Implementing this regulatory framework, on 1 August 2018 the Conference of Mayors of OTAA 5 formalised approval of the tariff multiplier for the years 2018 and 2019 in the maximum amount established under the Tariff Method, 8%, through Resolution no. 7, without prejudice to the study done by ARERA for the change in the theta which determines tariff changes exceeding the limit established in MTI-2. Additionally, with Resolution 8 of 1 August 2018, the Conference of Mayors approved, pursuant to art. 3, para. 1, of Resolution ARERA of 28 September 2017, 665/2017/R/Idr, the new tariff structure (TICSI).

As described in detail below, note that on 21 May 2018, with Resolution DSAI/42/2018/IDE of 21 May 2018, ARERA began a sanctioning procedure relative to the Company, which ended with the application of a fine, in relation to a series of findings relative to tariff adjustment for the integrated water service for the years 2012-2018 (hence also regarding tariffs also approved by the Authority itself, 2012-2015).

In any case, at the time of the 2018-2019 tariff update approved by the OTAA 5 Conference of Mayors on 1 August 2018, the appropriate adjustments were made based on that indicated by the Regulatory Authority in the context of the aforementioned sanctioning procedure.

At present, approval by ARERA is awaited.

It should nonetheless be specified that article 15, para. b) of Resolution ARERA 918/2017/R/Idr of 27 December 2017 establishes that Operators are required to apply, after preparation of the two-year update by the Area Governing Bodies, and until approval by the Authority, the tariff update prepared by the Governing Bodies, in compliance with the price limit pursuant to par. 3.2 of Resolution 664/2015/R/IDR.

Additionally, during October 2019, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.

To that end, below is that clarified by ARERA in its Communication of 5 February 2020, which states: *"With reference to the two-year update proposals for the tariff structure for 2018-2019, sent to the Area Governing Bodies pursuant to Resolutions 917/2017/R/Idr and 918/2017/R/Idr, but not yet involved in specific approvals by the Authority, it is clarified that:*

- *the Authority will complete the investigations intended to ascertain the consistency of the relevant technical and tariff data, in the context of the verifications on the specific regulatory structures proposed for the third regulatory period (2020-2023), in observance of the MTI-3 water tariff method, pursuant to Resolution 580/2019/R/Idr;*
- *for the two-year period 2018-2019 the tariff determinations adopted by the competent entities remain valid, which will be assessed by the Authority as part of the quantification of the adjustment components referred to in article 27 of MTI-3 when approving the new regulatory framework."*

On 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 - Southern Lazio ("AAT05"), approved the Tariff Structure for the regulatory period 2020-2023 with resolution No. 1/2021.

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

With reference to **operating costs** note that the lack of recognition by OTAA 5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA 5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA 5 on 10 March 2021.

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

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

With reference to the first initiative, ACEA Ato5 has filed an appeal with the Regional Administrative Court of Latina and with the Council of State (RG. 308/2021, Section I) to obtain the annulment of Deliberation No. 1 of 10 March 2021 (published on 18 March 2021). That deliberation dealt with the tariff decisions for 2020-2023, made pursuant to ARERA Deliberation No. 580/2019/r/ldr "Approval of the Water Tariff Method for the third regulatory period MTI-3 " as amended - in which the OTA 5 Conference of Mayors approved the IWS (integrated water services) tariff for the 2020-2023 regulatory period. Specifically, the operator challenged the part of the Deliberation that rejected the justified requests for recognition of the increased cost of adapting to the service quality standards (OpexQC), recognition of the higher costs of arrears (COMor) and the part that postponed the recognition of the adjusting payments due to the operator (RcTOTa) to future regulatory periods and to the end of the concession (on the Residual Value - RV at the end of the concession).

At the hearing on 26 May 2021, the Regional Administrative Court, recognising that the matter was highly complex and required further analysis, set the trial for 15 December 2021. On 21 December 2021, the Lazio Regional Administrative Court - Latina Section with Sentence No 691/2021 deemed the appeal inadmissible. The Company appealed to the Council of State with a hearing set for 10 March 2022, at the end of which the Board rejected the appeal and adjourned the case for a decision. Pending the signing of the new intercompany service agreement, the parent company is continuing to operate under the pre-existing contract, while awaiting the formalisation of the new one.

With reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of ATO 5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA 5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks in 2021, making use of qualified external consultants.

Nonetheless, AATO5 did not approve the rebalancing request sent by the Company by the deadlines established in the regulation.

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

After publication of the stated resolution, the Company provided the Area Authority with data, information and clarifications useful for preparation of the tariff update 2022-2023. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2022-2023 period by the deadline set in the regulations in effect (30 April 2022). Therefore, seeing the inaction of the Area Authority, on 30 November 2022 the Company sent to the OTAA 6 and to ARERA, via certified email, the tariff request pursuant to art. 6, para. 6.3 of Resolution 580/2019/R/ldr.

On 22 December 2022, ARERA sent OTAA 5 a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the regulatory period 2020 - 2023, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days.

The Conference of Mayors approved the tariff update for the regulatory period 2022-2023 on 11 January 2023, with resolution 1/2023. With respect to the Company's proposal sent to ARERA on 30 November 2022, following inaction by the Area Governing Body, note:

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

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

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

Specifically, the stated Economic Financial Plans:

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

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

Finally, on 26 July 2022, the OTS of the Area Authority sent a certified email containing the Deliberation No. 4 of the Mayors' Conference (20 July 2022), concerning "Recognition of loan instalments for the integrated water service to be refunded to the Municipalities - Art. 13 (2) of the Management Agreement, deed no. 7205 of 27/06/2023". In accordance with point 4) of that Deliberation, the OTS has sent a list of the instalments of the loans covered by the Area Authority, supplementing the list contained in Deliberation No. 1/2018 made by the Conference of Mayors, and indicating that the new instalments would be included in the cost component on the next available tariff update. Note that the EGA implemented this adjustment in the tariff provision approved on 11 January 2023 with resolution no. 1/2023. Additionally, on 28 July 2022 the Company thus made an application to view all the documents needed to identify the loans recognised in Deliberation 4) made by the Mayors' Conference, as reported by the OTS, following which the Company received no response.

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

In view of the restrictions imposed by ARERA's tariff method, particularly with regard to the two-year time lag in recognising the allowable costs on the tariff, in the current tariff plan for 2020-2023 and 2022-2023 the AAT05 Mayors' Conference has not guaranteed the funding needed in order for the operator to cover its financial commitments, specifically the plan for repayment of the debt and water service management costs deriving from OTAA 5's previous violations of the tariff approvals.

In view of the financial imbalance created, in 2022 the parent Acea SpA authorised the capitalisation of ACEA Ato5 by waiving its claims to: the non-financial items (trade and other) due as of 31 December 2021, the overdue capital portion of the interest-bearing loan and the portion of interest due as of 31 December 2021, for a total of € 96,337,589.84. It also restructured the liability on the interest-bearing shareholder loan by waiving the interest accruing from year to year and the capital line, which year on year will become due in 2022, 2023 and 2024 if the Company requests it and if the uncertain conditions remain. This is the context for the further capitalisation operation, authorised by the parent company ACEA S.p.A. in May 2023 and waiving the capital share of €10.0 million and €5.0 million of interest.

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

The half-yearly report of ACEA Ato5 has been prepared on a going-concern basis, as it is considered that overall, the company does have income-generating prospects for the foreseeable future.

The regulatory context depends on the financial impact of the tariff decisions made by ARERA and AAT05, as the financial imbalance of the management of the regional IWS does not depend on company events but is due to the fact that the IWS tariff charged to customers is inadequate in terms of assuring the efficient, effective coverage of the management costs paid to the Company by the competent authorities (AAT05 and ARERA) based on the current tariff method, leading to the corresponding (and inevitable) accumulation of tariff settlements. The Directors have promptly responded to this situation of financial crisis by reviewing the strategies and objectives of the previous economic and financial plan; by continuously updating the budget for the 2023 financial year (approved by the Board of Directors on 17 February 2023); by updating the 2023 forecast and by preparing a plan for the 2024-2033 period (approved by the Board of Directors on 1 March 2023) with the objective of protecting the Company's liquidity and financial solidity.

The half-yearly report of ACEA Ato5 shows that the financial situation has continued to improve compared to the previous half-year, despite the inertia of the competent authorities regarding the service management requirements.

In its decision No. 1/2023 made on 11 January 2023, AAT05 approved the 2022-2023 tariff update. In continuity with the previous tariff plans, this:

- do not set a certain date for the billing of the past tariff adjustments amounting to around € 50 million (of a total of € 106 million);
- covers a billing timeframe of approximately €51 million, which cannot be invoiced immediately and thus does not guarantee the financial sustainability of operations;
- does not take into account the operating costs:
 - ✓ of € 3.3 million for the years 2020-2021, thus leading to a financial loss of the same amount for 2021;
 - ✓ € 13.3 million for the years 2022-2023;
 - ✓ €7.5 million in arrears costs, for the 2022-2023 period;
- thus the tariff change is incompatible with the level of investment and operating costs already incurred and which the Company will have to incur during the term of the Plan, as no account has been taken of the financial deficit borne by the operator from the previous tariff decisions.

Another thing to bear in mind is the fact that the late approval of the biennial update by AAT05 has adversely affected the successful outcome of the requests to obtain financial advances for the sourcing of finance to cover the costs incurred for electricity purchases under the terms of the deliberations ARERA 229/2022/R/idr and 495/2022/R/idr. One of the admission criteria was that the AGBs had to approve the tariffs by the dates for submission of the appeal, 30 June 2022 and 30 November 2022. See paragraph 1.3 Tariff Framework for more information about these requests.

This delaying of the financial coverage was also aggravated by the dragging-out of the ARERA procedure regarding the approval of:

- the tariff proposals for 2016-2019 and 2020-2023;
- the two-year updates for 2018-2019 and 2022-2023,

with the consequence that although AAT05 has approved the GRC for 2016-2019 and 2020-2023 to cover the allowable costs (albeit for a lower amount compared to 2020-2023), the Operator is exposed to the uncertainty surrounding the billing of the past adjustments, which are needed to maintain financial equilibrium over the short-term and also in the medium-long term.

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

This regulatory scenario reveals that the Company is, in essence, dependent on the financial impact of the tariff decisions made by ARERA and AAT05, as the financial imbalance of the IWS management does not depend on company events but is due to the fact that the IWS tariff charged to customers continues to be inadequate in terms of assuring the efficient, effective coverage of the management costs paid to the Company by the competent authorities (AAT05 and ARERA) under the current method, leading to the corresponding (and inevitable) accumulation of tariff adjustments.

In any case, the Company has already taken all possible measures and actions to prevent any worsening of the financial strain, to adjust its effects and to eliminate its causes.

The Company has always reported to the competent Authorities, in order to ensure that all the necessary actions are taken to balance the need to (i) guarantee equal economic and financial equilibrium for the management of the IWS in the territory served, as required by the current laws, regulations and agreements; (ii) ensure that the Company can promptly fulfil its financial commitments in relation to IWS management; (iii) avoid compromising the business as a going-concern, or impairing the basic public service it provides, compatibly with the current tariff regulations and the maximum pricing level that can be accepted by customers.

Even in 2021, in addition to the requests for adjustments in the costs, particularly the arrears costs, the Company applied for a rebalancing under Articles 9 and 10 of the standard Agreement, approved by the ARERA deliberation 656/2015/R/idr of 23 December 2015 and adapted to the concession agreement by the Conference of Mayors of the Optimal Territorial Conference 5 - Southern Lazio and Frosinone ("AGB") in its Deliberation No. 6/2016 of 13 December 2016.

The rebalancing request was not approved by the AGB or by ARERA within the terms indicated in the current regulations.

On 22 June 2023 a new rebalancing application was sent, with two aims:

- to allow the Operator to recover the operating costs and cash flows affected by tariff decisions that do not reflect the operational dynamics necessary to guarantee the proper delivery of the service;
- to guarantee financial equilibrium until the end of the concession agreement, in order to prevent the imbalances borne by the company during its 20 years of management.

We await a reply from the Area Authority.

With the actions taken, the subsidiary has succeeded in managing the financial situation already highlighted in the 2022 budget, partially mitigating the financial imbalance. However, following the approval of the 2022-2023 tariff update, the directors of ACEA Ato5 have confirmed that there continue to be significant uncertainties about the company as a going concern: in particular, the favourable outcome of the Technical Panel involving the Area Authority intended to define the mutual issues (including those covered by the Conciliation Panel), the acceptance of the appeal to the Council of State, against the Area Authority Deliberation No. 1/2021 and the new request for financial rebalancing, which the Company sent to the Area Authority and to ARERA on 22 June 2023.

Nevertheless, the Directors have maintained the going-concern assumption in the preparation of the half-yearly financial reports to 30 June 2023, considering that the actions taken to preserve continuity, which have been further reinforced by the decisions of ACEA SpA regarding the Company's capitalisation, will be enough to allow the ordinary management of the business. They are also confident that the tariff proceedings described above, and the ARERA tariff approvals, will be concluded as planned, within a reasonable period of time.

Revenues for the integrated water service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/idr of 27 December 2019 and resolution 1/2023 of the Conference of Mayors of Ato5 and amount to € 43.9 million, including the estimate of adjustments for pass through items and the FoNI component of € 4.0 million. As regards the tariff adjustments, they amount to €106.0 million for the years between 2012 and 30 June 2023.

With regard to **relations with OTAA 5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTAA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato5.

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

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

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member.

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

Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies.

On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area

Authority and the users of OTAA5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

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

- judgement pending with the Court of Frosinone, docket number 1598/2012, relating to the 2006-2011 licence fees - the Board of Arbitrators would propose recognition of the debt owed by the Manager for the requested amount of € 1,750,000; it should be noted that this amount is to be understood as an additional recognition with respect to the amount indicated in the settlement proposal made in the context of the aforementioned pending proceedings - see the description in the preceding paragraph "Injunction order for € 10,700,000 and counterclaim OTAA 5 concession fees";
- quantification of the concession fee relative to the period 2012-2018, and the linked destination of any economies for a total of € 12,798,930.00 - the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) - the Board proposes recognition of this credit in favour of the Operator;
- compensation of damages suffered by ACEA Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regards to the Area Authority;
- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 - the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by AATO 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the ATO5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of ACEA Ato5, assessed in the amount of € 650,000.00 - the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000; the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 - the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 - the Board proposes recognition of this claim in favour of the Operator.

The "Conciliation Proposal" and the draft "Conciliation Deed" were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the TOS of OTAA 5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA 5 and ACEA Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA 5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. When the Company was preparing its financial statements for 2019, based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, the Company decided to allocate a provision for risks for € 4,500,000.

To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents. Specifically, it should be noted that the Mayors' Conference on 28 October 2021 resolved that the approval of the Conciliation Deed could only be considered upon the outcome of, at least, the preliminary phase of the Criminal Proceeding 2031/2016 pending before the Court of Frosinone. Subsequently, on 26 January 2022, the OTS of OTAA 5 sent the Company a letter ordering it to set up an interest-bearing escrow account within 15 days at the latest, into which the sum of € 12.8 million relating to the aforementioned savings on concession fees for the period 2012-2018, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation roundtable, which - according to the OTS - was allegedly invoiced by the Manager, would be transferred. The Company acknowledged this letter on 10 February 2022, pointing out, among other things, that the Conciliation Board itself in its report, with specific reference to the savings on the 2012-2018 licence fees, had clarified that "these sums can only be considered virtually and abstractly (and not also in actual financial terms) as being available to the Manager" and that they would indeed represent a suitable financial source to cover the debt

of € 10,7 million owed to the Manager or, alternatively, - as proposed in the draft conciliation agreement - to reduce the total amount of the tariff adjustments still due to the Manager, which far exceed the amount in question.

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

A ruling was issued on 31 May 2023 in the civil proceedings listed at RG 1598/2012 pending between ACEA Ato5 and the AGB. The Judge ruled that the debt had been paid off, based on the payments made by the Acea during the course of the proceedings. The Judge also found that there had been an overpayment by the Company, equal to the difference between the sum due (€ 26,313,251.50) and the sum effectively paid by ACEA Ato5 (€ 28,690,662.85), amounting to approximately € 2,377,000. Following this judgment, the Company adjusted its provision for risks by releasing the amount previously allocated.

It should be noted that, in view of the foregoing and pending the examination of the Conciliation Proposal by the Conference of Mayors of OTAA 5, the Company considers the draft Conciliation approved by the Board of Directors of ACEA Ato5 at the meeting of 19 December 2019, as a still valid reference in relation to the overall composition of the issues submitted by the parties to the Conciliation Board and, therefore, considers that the same continues to represent - to the extent of the net amount of € 4.5 million to be paid to the AGB under it - an implicit obligation that can be enforced against it. Therefore, the provision for risks originally recorded in the financial statements as at 31 December 2019 is deemed to be reconfirmed when preparing the Company's 2022 financial statements. As further confirmation of the continuing validity of the Conciliation Proposal between the parties, it should be noted that on 1 February 2022, the AGB requested the payment of the invoices for concessionary charges issued with reference to the years 2019-2022 and not those issued with reference to the years 2012-2018, which were the subject of the Conciliation Board meeting.

The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and, most recently, on 2 March 2022, in which, respectively, it disputed the amounts of some of the invoices requested by the AGB (the amounts of which do not match those of the invoices in its possession), it put forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

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

The technical panel updated the information on the economies for mortgages already identified in the context of the work of the Conciliation Board, also discounting the fees due from the Manager and reconciling invoices issued and already paid by the latter. Subsequently, with a note issued in December 2022, the Operational Technical Secretariat requested an urgent meeting to deal with the issue of concession fees not yet paid and, more generally, the amount due to the Manager from the Entity. During these meetings, held in the second half of December 2022, the Operational Technical Secretariat presented the problems deriving from the evaluation of its 2021 financial statements. In response to this note, in a note dated 23 December 2022, the Company indicated its continued situation of uncertainty due to the non-approval of tariffs by ARERA within the established schedule.

In a letter of 19 January 2023, ref. 186/2023, the AGB's Operational Technical Office (OTO) advised that a Technical Panel had been set up; however the Panel has not been convened yet, nor has the conference of Mayors been arranged for the final approval of the Conciliation Proposal.

The Conference of Mayors of 15 June 2023 has approved the AGB Single Planning Document; its objectives include reaching a definition of the pending disputes, including those relating to the Conciliation Panel, in order to overcome the deadlock that has arisen in recent years.

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

Molise - Acea Molise

The Company manages the IWS in the Municipality of Termoli (Campobasso), after winning the tender held in 2022 for the "Implementation of measures to protect the soil and water and to improve the integrated water service in the Municipality of Termoli under a Public Private Partnership through Project Finance, with the proponent's right of pre-emption (Art. 183, paragraph 15 of Legislative Decree No. 50/2016)".

In brief, the Project Finance involves:

- €7.6 million of investments borne by the Operator, to be allocated to the water sector as a whole (water, purification and sewerage);
- €3.8 million in regional finance, for the "Delocalisation and decommissioning of the port treatment plant" in the municipality of Termoli (Campobasso);
- a 15-year management timeframe to complete the works;
- remuneration of the works through the water tariff, according to the regulatory criteria of ARERA;
- management of the Municipal Integrated Water Service.

The Project Finance Management Agreement was signed on 3 August 2022. Acea Molise is therefore fully authorised to manage the Integrated Water Service for the Municipality of Termoli (Campobasso) until 2037.

Article 6.2 of the Management Agreement allows for early termination if the Single Operator of the Molisano Area, identified by its Governing Entity (E.G.A.M.) makes an express request to Acea Molise, to take over the service.

In the first half of 2022, representatives of the Molise Municipalities and the regional water authority “Azienda Speciale Molise Acque” set up a limited liability consortium known as Gestione Risorse Idriche Molisane S.c.a.r.l. (“GRIM”), which is fully publicly owned. EGAM then assigned to GRIM the management of the Integrated Water Service of the single OTA of Molise.

This means that it is technically possible for GRIM to take over the water management for Termoli (Campobasso) earlier than the expiry of the Agreement’s 15-year term.

Although no request in this regard has yet been received from GRIM, Acea Molise - in view of its commitments with Project Financing and in particular the borrowings necessary to complete the new works - has advised EGAM of the objective difficulties in continuing with the planning and execution of the upgrading works without having a clear view of the overall strategic picture of the regional plans for the water sector, or of the role of GRIM.

Acea Molise considers that it is not possible to start complex and financially demanding works such as the delocalisation of the purifier at the port of Termoli, which would take an average of three years, without having a precise indication from the relevant Authorities of the prospects for the company as a going concern, at least over the short to medium-term.

While awaiting more information from the Authorities as to the intentions and timeframe of the Single Operator GRIM, the Company has in the meantime instructed the law firm of Prof. Elefante to prepare an opinion, in order to evaluate the overall situation regarding the Termoli Agreement and consider whether or not the conditions exist for the continued existence of the company, from a regulatory and legal perspective.

During the first half of the year the Company requested a legal opinion in order to demonstrate that it has the regulatory and legal status necessary to continue the Integrated Water Service in the Municipality of Termoli on a fully operational basis.

The main assumptions for the continuity of Acea Molise are the following:

- Acea Molise, regardless of the management of the IWS in the Municipality, is an operational company, through the shareholdings in ASM Terni Spa and Gesesa Spa, in the water sector (Gesesa directly, ASM indirectly through the subsidiary Umbriadue S.c.a.r.l.), in the environmental sector (ASM both directly and indirectly through the subsidiaries Green ASM and Ferrocarr), in the electricity and gas industry (ASM indirectly, through the subsidiaries Umbria Distribuzione Gas and Umbria Energy), and in the public lighting sector (ASM);
- the obligations deriving from the Agreement made with the Municipality of Termoli on 3 August 2022, including those relative to the management and completion of the investments within the timeframe, are all mandatory until such time as an express request to take over the service is received from the sole operator identified by EGAM (Article 6.2 of the Agreement) and until the takeover value is determined, in accordance with Article 15 of the Agreement. Therefore, as things stand, there is no evidence of the date when GRIM is likely to make a request to take over the service and therefore no indication of when the conditions for the forfeiture of the concession held by Acea Molise will be met.

The opinion concludes that until such time as a formal request to take over the service is made, and the regulatory Residual Value is paid, Acea Molise has a specific obligation to perform the concession agreement and to manage the IWS for the Municipality of Termoli in accordance with the Agreement and the relevant ARERA regulations, and also to complete the investments and the works as indicated in the Action Plan (and any prerequisites, instrumental or consequential activities) in accordance with the timeframe.

Therefore, considering that Acea Molise is required to comply fully with the obligations of the Agreement signed on 3 August 2022, during the first few months of 2023 the Company, through its administrative offices, began a detailed analysis of the debits and credits accruing until 31 December 2022 and completed a forecast up until 31 December 2024 in order to verify their financial sustainability. The analysis of the cash flows and suppliers’ average days payable outstanding (DPO) showed that the accounts were substantially balanced, on the assumption that third-party supplier payables are settled with customer receipts, and the payables to infra-group suppliers are settled using “non-customer” receipts and the regulatory Residual Value.

Finally, the scenarios of indebtedness, receipts and payments underlying the 2023-2024 cash flow will be regularly monitored by the company’s internal offices, so that any discrepancies compared to the expectations can be immediately identified and to ensure that the appropriate corrective measures can be taken going forward.

Subject to the above, Acea Molise is still awaiting news of the decisions taken by the regional government of Molise and by EGAM, regarding the conditions under which the IWS will be managed in the Molisano area: fully in-house, or (hopefully) with the help of a private partnership.

The long-term objective of ACEA Molise is to participate as an industrial partner in the competitive procedure to manage the integrated water service for the whole of the Molisano Area.

Campania – GORI S.p.A. (Sarnese Vesuviano)

The Company manages the Integrated Water Service for the “Sarnese-Vesuviano” District Area of the Campania Region (which comprises 59 Municipalities of the Province of Naples and 17 Municipalities of the Province of Salerno), for a total of 76 Municipalities (however, the Municipalities of Calvanico and Roccapiemonte in the Province of Salerno are managing their water services, not having yet ensured the start of IWS management by the company). The award of the aforesaid IWS management lasting thirty years and starting from 1 October 2002 (and expiring in 2032) was finalised with the signing of a specific agreement with the granting authority Sarnese-Vesuviano Area Authority (now replaced by the Campania Water Authority as per Law 15/2015 of the Campania Region) on 30 September 2002.

Established pursuant to Regional Law 15/2015, the Sarnese-Vesuviano District of the Campania Region covers an area of approximately 900 km² serving a population of approximately 1,411,416 inhabitants (latest data from ISTAT, 2020).

A total of 5,237 km of water network is currently managed, consisting of 866 km of primary abstraction network and 4,371 km of distribution network, and a 2,708 km drainage system.

GORI currently manages 13 water sources, 114 wells, 201 tanks, 123 water pumping stations, 203 wastewater pumping stations and 13 waste treatment plants.

Definition of the relations between the operators Gori and Ausino, for the purification service in the Municipality of Cava de' Tirreni

On 27 June 2023, a draft agreement was signed between Gori, the water authority and Ausino, in order to define the relationships between Gori and Ausino in relation to the purification service provided by Gori in Cava de' Tirreni; this municipality is within the sub-area known as "Area Costa D'Amalfi" and is thus within the operational scope of Ausino S.p.A., which has managed the pipeline, sewerage and purification services since 1 September 2013. On 1 December 2019, Gori took over the management of the "Medio Sarno SUB 4" purification plant in the Municipality of Nocera Superiore, after the plant was transferred.

The agreement provides that:

- the contract for the supply of out-of-area purification services for customers in the Municipality of Cava de' Tirreni cannot be based on the provisions of Article 156 of Legislative Decree 152/06;
- with regard to the management of the purification service between 1 January 2019 and 30 June 2023, the coordinators of these districts agreed on a solution for the convergence of the two operators' tariff proposals, with the objective of safeguarding the periods already passed and with as little inconvenience as possible for the customers affected;
- in line with Gori's regulatory plan for 2020-2023, the share of the operating costs for the purification plant serving the purification district "Medio Sarno Sub 4", for customers in the Sele District of the Municipality of Cava de' Tirreni amounts to €1,484,247 per annum. Gori will bill that amount as an out-of-area purification service and it will be adjusted annually according to the theta tariff multiplier approved in the subsequent regulatory periods, as stipulated in the tariff approval for Gori, made in the CWA Deliberation No. 36/2022;
- from 1 July 2023, for customers in the municipality of Cava de' Tirreni, Gori will invoice Ausino for the sub-distribution of the purification service, as agreed in the CWA tariff approval deliberation No. 36/2022;

starting from 1 January 2024, Gori will bill Ausino for the sub-distribution of the purification service, with reference to the customers in Cava de' Tirreni, by an annual amount of €1,484,247; this will be adjusted according to the tariff approval for the next regulatory period, which is 2024-2027.

2020-2023 Regulatory Framework

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

The update of the regulatory framework approved by the CWA for 2022-2023 saw an increase in the theta of 2.4 for the year 2022 and a theta of 1 for 2023, confirming for both years the values of the tariff increases approved with the previous resolution of the Executive committee, no. 35/2021, which had approved the regulatory framework for 2020-2023 pursuant to ARERA resolution 580/2019/R/idr di ARERA; this tariff update also implemented the provisions issued at the same time by the CWA in relation to "previous items" (reviewed and redetermined pursuant to the CWA Executive Committee resolution 35 of 10 August 2022) and the "tariff update" subject to a review procedure by ARERA pursuant to the Council of State decision 5309/2021 (specifically with reference to the CWA Executive Committee resolution 34 of 10 August 2022), as better indicated below, while also taking into account the provisions of the additional acts to the Operating Agreement (i.e. additional act no. 1 and additional act no. 2). In particular, in relation to the cited Executive Committee resolution 34 of 10 August 2022, relative to the "Council of State decision 5309/2021. ARERA resolution 247/2022/R/idr. Determinations on tariff rates relative to the manger GORI S.p.A. for the years 2012 and 2013. Sarnese Vesuvian District Council Resolution 6 of 2 August 2022", note that, as a consequence of Council of State decision 5309/2021, it was established that ARERA had seen to the renewal of the investigation underlying the tariff decisions approved by the same Authority with resolution 104/2016/R/idr containing "Approval, for the purposes of evaluating adjustments in the context of the tariff method for the second regulatory period MTI-2, of tariff rates relative to the Sarnese-Vesuvian optimal territory area for 2012-2015". Consequently, with resolution 373/2021/R/idr of 7 September 2021 (and other subsequent resolutions regarding the deadline for completion and other methods) the proceeding to renew the aforementioned investigation was begun and subsequent other resolutions extended the deadline for completion and provided instructions on the methods to implement the actions required of the CWA and other interested entities. Hence, as anticipated, in its cited resolution 34 of 10 August 2022, the CWA Executive Committee certified that the conditions had been met (efficacy and implementation of the Area Plan) for confirmation of that approved by the then operational Extraordinary Commissioner of the Sarnese Vesuvian Area Authority with resolution 17/2013, relative to both years 2012 and 2013 for GORI, the tariff multipliers (theta) in the amount of 6.5% and the Operator Guaranteed Revenue Constraint (GRC) for 2012 and 2013. Consequently, with resolution 457/2022/R/idr "Conclusion of the procedure to comply with Council of State decision 5309/2021 on tariff regulation for the integrated water service", ARERA completed the procedure begun with resolution 373/2021/R/idr on the basis of the new information, data and documents produced by the Campania Water Authority and confirmed the tariff decision made with resolution 104/2016/R/idr, thereby confirming the values of the theta multiplier and quantification of the adjustments.

Additionally, the Water Authority Executive Committee, with resolution 35 of 10 August 2022, definitively approved previous items prior to 2012 for a total of € 115 million; more specifically, the accuracy of the calculation of Previous Items prior to 2012 as approved by the former Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority was confirmed, in the amount of € 122 million, then reduced to € 115 million as a consequence "... of the economic/financial benefits that may derive from Additional Act no. 2, as well as other possible economic benefits deriving from possible management efficiencies for the IWS in the remaining period expiring in 2032". To that end, note that, as anticipated, with the Additional Act no. 1 and Additional Act no. 2, the Campania Region and Gori

partially amended the Gori repayment plan with reference to the Region, as established in the Operating Agreement, postponing to 2030 payment of the instalment for €103 million.

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

Revenues as of 30 June 2023, which total € 111.2 million, were determined on the basis of the regulatory scheme approved by the Campania Water Authority with Resolution 36/2022, in compliance with ARERA Resolution 580/2019/R/idr, subsequently supplemented by ARERA Resolution 639/2021, with which the Authority defined the criteria for the two-year update (2022-2023) of the tariff arrangements for the Integrated Water Service.

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

It should also be noted that, for the calculation of the Guaranteed Revenue Constraint (GRC) as at 30 December 2022, the constraint component relating to the Opsocial supplementary water bonus for 2023, has been set at zero. The reason for this is that although this component has been recognised within the regulatory framework approved by the CWA, a deliberation paper is missing. The purely regulatory components "COdeltafanghi" and "COEE" were also considered. The "OpexQC" and "OpexQT" components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.

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

The OPnew included in the calculation were quantified in the same manner as in previous years, and therefore, on the basis of the full cost recovery principle, the costs effectively incurred on plants transferred at 30 June 2023 are covered, as demonstrated in the accounting documents.

At 30 June 2023, the works transferred to the Operator are: Waterworks at Mercato Palazzo, transferred in October 2016; waterworks at Boscotrecase and Cercola transferred in March 2018; waterworks in the Nolana area transferred in September 2018; waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius Area, transferred in December 2018; Campo Pozzi di Angri transferred in February 2019; the Nolana Area treatment plant transferred in March 2019; the completion of the Sarnese Area, transferred in April 2019; the Medio Sarno 2 treatment plant, transferred in July 2019; the transfers of the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019; the transfer of the Foce Sarno treatment plant in December 2020; the transfer of the Alto Sarno treatment plant in January 2021 and finally the transfer of the treatment plant at Punta Gradelle in March 2023.

External operating costs Opexend were defined based on what is established in article 17.1 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to article 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in article 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, Gori was placed in quadrant 4 of the regulatory matrix. The Opexend now defined, adjusted by the inflation coefficient provided by the Authority as part of the 2022-2023 two-year regulatory update, amount to € 74.8 million, which equates to € 37.4 million at 30 June 2023.

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

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 30 June 2023, the tariff approved by the CWA by Resolution no. 7 of 26 February 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the "Campania Region" operator and is equal to € 0.21679/m³, with the application, for the year 2023, of a theta equal to 1.124 (6% increase on the previous year).

The pertinent cost at 30 June 2023 on the COws relating to regional water supplies, according to the principle of full cost recovery, was approximately € 2.5 million, entered for the same amount in GRC and in the related costs. As regards the COws of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 30 June 2023, according to the full cost recovery principle, amounted to approximately € 3.3 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m³, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and Gori), applying it to volumes treated by the regional plants.

Finally, the Government has introduced a series of measures to support businesses in facing the energy crisis and the associated cost increases.

The measures introduced by the Government in the Budget Act 197/2022, on 29 December 2022, include a tax credit to support electricity purchases for non-energy-intensive businesses (which includes operators of Integrated Water Services); the tax credit equates to 35% of the cost of buying electricity if its price during Q3 2022 was more than 30% higher than in Q3 2019. In Decree Law 34 of 30 March 2023, the Government then allowed a tax credit of 10% for Q2 2023, again with reference to the purchase of energy. The tax credit, quantified on the bills actually incurred for January, February and March, equates to approximately € 3.2 million. In the relevant GRC at 30 June 2023, to avoid double coverage of the cost of electricity, the quantification of the tax credit was taken into account through an adjustment of revenue (GRC) by an equal amount (€ 3.2 million), allocated to the item “Exceptional events”.

Also note that on 13 October 2022, ARERA, with resolution 495/2022/R/ldr “*Reopening the terms for financial advances aimed at mitigating the effects of the growth in electricity costs on managers of the integrated water service*”, called for a second window within which government entities in the area, based on a request by the relevant manager, could present a justified request to CSEA (by 30 November 2022) to activate types of financial advances, introduced with resolution 229/2022/R/ldr, associated with the obtaining of resources to handle part of the expenses incurred to purchase electricity. As the requirements were met, on 08/11/2022 Gori sent a request to the Campania Water Authority seeking a financial advance from CSEA of € 11,842,336.80 (this is the maximum amount, equal to $0.35 * COEE$ 2022).

Based on the request presented by Gori, the Campania Water Authority Executive Committee, in resolution 76 of 29 November 2022, decided to ask CSEA to activate the financial advance methods introduced with ARERA resolution 229/2022/R/ldr, associated with obtaining resources to handle part of the expenses incurred to purchase electricity for the manager Gori; on 30 November 2022, the Campania Water Authority sent CSEA the Financial Advance Request for the manager Gori, in the amount requested by the Manager, specifically €11,842,336.80. As provided for in Deliberation No. 495/2022/R/ldr, the advance was disbursed by CSEA on 27 December 2022; the Operator is required to “*return the advances to CSEA, in two instalments of equal amount (in relation to the capital portion) payable respectively on 31 December 2023 and 31 December 2024. The instalments are increased by interest applied to the remaining capital and calculated based on the interest rate applied, equal to that obtained by CSEA for its own liquid assets held with its bank*”.

Case pending before the Regional Administrative Court of Campania, (Naples), initiated by a petition filed by the Municipalities of Fisciano and Mercato San Severino (Salerno), Casalnuovo di Napoli, Somma Vesuviana and Scisciano (Naples), Roccapiemonte, Nocera Superiore, Nocera Inferiore, Angri and Pagani (Salerno), seeking the annulment of the Deliberation made on 10 August 2022 by the Executive Committee of the Campania Water Authority (approving the historic items, pre-2012): The Municipalities listed above have filed an appeal with the Regional Administrative Court of Naples, against the deliberation by the Executive Committee of the Campania Water Authority No. 35 of 10 August 2022, relating to the “*definitive decisions under Art. 21 paragraph 9-bis of the Regional Law of Campania No. 15/2015. Approval of historic items pre-2012 accrued by GORI*”. The date of the public hearing to discuss the merits of the case is still awaited.

Case pending before the Regional Administrative Court of Lombardy (Milan), initiated with a petition filed by the Municipalities of Fisciano and Mercato San Severino (Salerno), Casalnuovo di Napoli, Somma Vesuviana and Scisciano (Naples), Roccapiemonte, Nocera Superiore and Angri (Salerno), seeking the annulment of the deliberation no. 457/2022/R/ldr made by the Authority for Energy, Networks and Environment published on 30 September 2022: the municipalities filed an appeal with the Milan branch of the Regional Administrative Court of Lombardy, against the deliberation by the Energy, Networks and Environment Authority no. 457/2022/R/ldr of 27 September 2022, concerning the “*Conclusion of proceedings to comply with the Council of State judgment No. 5309/2021 concerning the regulation of tariffs for the integrated water service*”. The date of the public hearing to discuss the merits of the case is still awaited.

Case pending before the Council of State, concerning the appeal filed by Gori seeking the amendment of the rulings made by the Regional Administrative Court of Campania (Naples branch), nos. 4846/2015, 4848/2015, 4849/2015 and 4850/2015 relating to the recognition of pre-2012 entries for tariff adjustments approved by the granting authority, the Sarnese-Vesuviano Area Authority (the predecessor of the Campania Water Authority): as a result of the above measures having been adopted by the Energy, Network and Environment Authority (deliberation no. 457/2022/R/ldr) and the Campania Water Authority (the deliberations 34, 35 and 36 of 10 August 2022), the Council of State declared inadmissible the petitions made in the first instance (settled by the Campania regional administrative court rulings numbered 4846/2015, 4848/2015, 4849/2015 and 4850/2015) and therefore set aside the first-instance rulings without referral.

Case against the Reclamation Consortium for the Sarno Area, in respect of consortium costs: with the decision no. 7271/2021 of 7 September 2021, the Court of Naples (11th Civil Section) rejected the claim by the plaintiff (Sarno Reclamation Consortium) which was seeking payment of around € 21 million from GORI S.p.A. in respect of consortium costs for the period 2008-2016. In summary, the claim was dismissed because the Consortium did not provide evidence (mainly because of the uncertain data and lack of documentation) of the direct economically-assessable benefit to Gori for having used the consortium’s channels and thus it was “impossible to find any certain data or quantify accurately without any doubt the contribution due from the respondent company”. The Consorzio di Bonifica del Comprensorio Sarno appealed the decision and the Court of Appeals of Naples referred the case for the specification of conclusions to the hearing on 17 September 2024.

Campania – GESESA S.p.A. (OTA 1 - Calore Irpino)

The Company manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 117,593 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,470, for which 2022 consumption has been estimated at about 7.7 million cubic metres of water.

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

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

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

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

To date, the CWA has:

- ratified the area plan prepared by the Sannita District;
- started a procedure to define the takeover value (residual value of investments + tariff adjustments to be invoiced) that the private shareholder must pay Gesesa.

After these activities have been completed, the notice of tender to find the private shareholder will be published. The procedure should be completed by the end of the first half of 2024, and the IWS will be entrusted to the new operator by the end of the same year.

With regards to approval of the proposed tariffs in progress, note that despite the activities implemented by the company, the request made to ARERA to exercise substitute powers and the consequent formal warning sent by the Authority to the CWA to resolve the breaches associated with the same, the CWA has not yet approved the biennial proposed updates for 2018-2019 nor the update for the third regulatory period, 2020-2023. Additionally, the Company prepared its final data for the years 2020 and 2021 and the Works Programme to prepare the proposed tariff revision with definition of the GRCs and Thetas for 2022-2023, revising the investment programme for 2020-2023, pursuant to ARERA resolutions 580/2019/R/IDR and 639/2021/R/IDR. All the documentation produced was validated by the CWA on 7 November 2022 and the proposed tariff 2022-2023. As the CWA has not approved the tariff proposal, on 28 February 2023 the Company sent a request for an update directly to ARERA, asking it at the same time to exercise its substitute powers.

As a result of the above, the items of the financial statements concerned – in particular revenues and related customer receivables – were updated and recognised in 2022 on the basis of the new Guaranteed Revenue Constraint (“GRC”) forecast for 2021 and the calculation tool prepared for the 2022-2023 biennial adjustments, awaiting approval by the relevant entities.

The continuing non-approval of the tariffs has created a situation of financial strain for the Company. The directors have prepared a Financial Plan for the two-year period 2023-2024, based on precise assumptions, with the objective of preserving the financial equilibrium of its operations. The Financial Plan was drawn up with the specific purpose of guaranteeing the sustainability of all the supplies necessary for the optimal delivery of the managed water service, and a regular service for customers, therefore on the assumption that the following events will occur at the times and in the ways indicated:

- access to bank credit;
- suspension/postponement of payments of intercompany payables.

With reference to the debts with third-party suppliers as of 31 December 2022, specifically those with wholesale suppliers of water, the Company has now obtained an agreement to further extend the terms of payment.

In view of this, the subsidiary's directors have now started discussions with the banks in order to obtain new finance, and with the Group companies in order to formalise the arrangements for the suspension/deferment of the debts. Based on the discussions which are ongoing with the lenders and the Group companies, and despite the many uncertainties which may create significant doubts about the business as a going concern, the Directors of Gesesa used this assumption when preparing the half-yearly reports to 30 June 2023, as they consider that the actions they have already taken will be sufficient in order to continue the ordinary operation of the business. The subsidiary’s directors are also confident that the proceedings concerning tariffs, and the tariff approvals from the CWA and ARERA, will be obtained within a reasonable time and according to the expected terms. Gesesa has also prepared an estimate of the Operator’s Residual Value as of 31 December 2024, although this can only be defined when the new Single Operator takes over the IWS for the Sannita district. Obviously, if the IWS management was to terminate, the Residual Value collected by

Gesesa from the new operator, based on the forecasts, would satisfy the company's creditors and would allow the business to continue according to the additional terms of operation provided for in the Company Bylaws.

In relation to proceeding 231 associated with the Company, note progress in the criminal proceeding 5548/2016, with a preventive seizure of 12 water treatment plants managed by Gesesa and appointment of a Judicial Administrator.

Following the proceeding above, an independent proceeding was begun involving the position of the Company relative to which action was taken with regards to certain crimes contemplated under Legislative Decree 231 of 2001.

On 15 November 2021, the Judge of the Court of Benevento issued a preventive seizure order relative to Gesesa, executed on 29 November 2021, in that the Benevento Public Prosecutor had charged Gesesa, in terms of liability pursuant to Legislative Decree 231 of 2001, all the crimes contemplated by the stated Legislative Decree, which real persons had already been charged with. That being established, with regards to the merits, based on the accusations summarised above, the Judge granted preventive seizure as requested by the Public Prosecutor, in the amount of € 78,210,529.00, relative to Gesesa. Given the unfounded nature of the accusations and the abnormality of the measures applied, through its attorneys Gesesa appealed the seizure order. On 22 December 2021, the Benevento Court of Appeal granted the appeal presented by the Company and fully annulled the seizure ordered by the Judge. This annulment was not appealed and, therefore, this decision became final.

On 25 January 2022, notification was received that the investigations of the Company had been completed and on 17 June 2022 notification was received by the real persons and the Company of the provision requesting indictment; the date for the preliminary hearing, initially set for 23 January 2023, has been postponed to 26 June 2023 due to the absence of the relevant judge. At the hearing, the proceedings were adjourned until 13 November 2023 to allow the by-hand service of process upon the various defendants who had elected domicile with their defence counsel. The various preliminary issues will be discussed at that time.

That being established, note that the company, pursuant to article 17 of Legislative Decree 231/2001, has begun actions to verify any risks and identify possible improvements that have allowed it to align its control system with the requirements of the law. These improvements have given rise to an action plan to revise and strengthen the internal control system.

In particular, with regards to the plants subject to preventive seizure, following a virtuous path of more than two years, with total outlays of € 891,060.34 by the Company, to implement the requalification projects requested by the Judicial Administrator, the requalification activities were effectively completed for the plants subject to seizure.

Following these activities, the Judicial Administrator, with a specific Report filed with the relevant Prosecutor, acknowledged the conclusion of the same with a satisfactory completion of the newly functional plants. In the light of this report, with a provision of 9 September 2022, the Public Prosecutor's Office deemed as "ceased the requirements that gave rise to the appointment of the Judicial Administration for the operation of the purification plants", while it did not hold the requirements for release from seizure of the same yet met, with a provision of 14 September 2022 the Judge consequently ordered termination of Judicial Administration and confirming seizure with the right to use the treatment plants by Gesesa. During the half-year, on the instructions of the Prosecutor's Office, the judicial authorities and ARPAC carried out checks and controls on all the plants still subject to monitoring, in order to ensure they were still in functional order.

Following these checks and controls, and after the positive outcome of the monitoring operations carried out by the judicial authorities, Gesesa, through its lawyers, applied to the court on 27 June 2023 requesting the release of the purification plants.

With regard to any risks concerning the final outcome of the proceedings, the Directors of the subsidiary, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings.

Tuscany - Acque S.p.A. (OTA 2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of Ato2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities.

With CD Resolution 14/2022 of 25 November 2022, AIT approved the biennial tariff update for 2022 and 2023. The main elements of the revision are:

- Tariffs: the thetas previously approved for years 2022 and 2023 were confirmed; slight increase in thetas for 2024-2031;
- Tariff adjustments: increase of around € 8 million with a slight anticipation in recovery of the same (by 2024 instead of by 2025);
- Plan of Works 2020-2031: increase of around € 76 million net (from € 800 million to € 875 million) and € 114 million gross, for more maintenance and replacement projects; partial rescheduling of framework agreement projects and adaptations for regional laws on EU/NRRP infractions. Also note a reduction on the part of AIT for IT projects.

For both years 2022 and 2023 the electricity anticipation component OPexp EE was inserted. ARERA has not yet approved the AIT proposal. Also note that, in relation to the average defined cost for electricity, Acque appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment.

On 24 November 2022 EGA was set the request for activating types of financial advances associated with obtaining resources to handle expenses incurred to acquire electricity, in turn presented to ARERA/CSEA, pursuant to that established in ARERA resolutions ARERA 580/2019/R/IDR, 639/2021/R/IDR and 229/2022/R/IDR. The amount requested, the maximum Acque could request, was € 5,055,080.

On 29 December 2022, CSEA disbursed the advance which must be repaid in two instalments of equal amount: the first by 31 December 2023 and the second by 31 December 2024. In relation to the average cost defined for electricity, the Company appears to have purchased at an average cost below the set threshold and is thus entitled to full recognition of the adjustment.

With reference to the finance agreement signed in 2018, expiring at the end of 2023, in 2022 the Company started a process of restructuring in order to obtain a new, more streamlined financial structure that is more in line with the need to fund the investments. The Company launched a “beauty contest” procedure to source a 7-year ‘amortizing’ loan from a pool of investors for a total of €225 million, of which €210 million would be a targeted term facility, and €15 million would be an RCF to cover the Company’s ordinary requirements. In December 2022, the EIB, at the request of the Company and following an internal procedure, authorised a loan for a total of €130 million to carry out a plan of investments for the years 2022, 2023, 2024 and 2025, under conditions which are much more favourable than the current market dynamics.

The purpose of the restructuring of Acque’s borrowings, is to refinance the existing bank finance, including the early termination of the hedging agreements related to the finance contract, to cover additional ordinary cash flow requirements over a period of 12 months and to cover the costs of the operation in order to allow the Company to focus on implementing its new Action Plan.

The new financial structure will cover the Company’s requirements until the end of the concession agreement, at a lower cost, thus allowing it to implement a very ambitious Action Plan which has been extended following the recent tariff approval. With the same level of overall borrowings, there is also a much more flexible structure that does not place any restriction on any further requirements linked to any need for investment that may arise over the next few years.

The EIB loan agreement was signed on 13 June 2023. On 14 June 2023 an agreement was signed with the lenders and finally, the closing of the operation took place on 20 June 2023.

It should also be noted that from 1 February 2023, the shareholder Publiservizi S.p.A. merged with Alia Servizi Ambientali S.p.A. The Board of Directors of Acque S.p.A., having completed its assessments on the basis of the company bylaws, and on the strength of a reliable legal opinion, initially considered that it would not enter Alia Servizi Ambientali S.p.A. in the shareholders’ register as the successor of Publiservizi S.p.A. Following this refusal, on 23 March 2023 Alia filed an appeal with the Court of Florence, under Article 700 of the code of civil procedure. In its first ruling, the court prohibited Acque S.p.A. from calling or holding a shareholders’ meeting until the end of the proceedings. In compliance with this ruling, Acque S.p.a. revoked the notice of meeting scheduled for 28 April 2023. The Court of Florence then ordered Acque to enter Alia in the shareholders’ register, in a ruling served on 29 May 2023. The Company then decided, reserving its rights, to enter Alia SpA in the shareholders’ register and simultaneously called a meeting of shareholders for 19 July 2023, to approve the 2022 financial statements and to re-elect the company officers.

Tuscany - Publiacqua S.p.A. (OTA 3 - Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 46 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.

Note that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation.

On 16 February 2021, with Resolution No 59/2021/R/ldr, ARERA approved the specific regulatory framework containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/IDR and related Annex A, containing “2020-2023 Water Tariff Method MTI-3”. Also note that on 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31 December 2024 was signed with the AIT.

On 23 February 2023, with a decision of the Executive Council No. 3 of 22 February 2023, the AIT approved the two-yearly update of tariffs for the third regulatory period (2022-2023) and sent the tariff proposal to ARERA.

During 2023, the work carried out with the Tuscany Water Authority (AIT) involved various aspects of the regulation. In particular, Publiacqua attended various meetings with the officials of AIT, concerning the addendum to the Regulation, Legislative Decree 18/2023 relating to the Potable Water Directive, and industrial prices.

Following the merger on 26 January 2023 between Acqua Toscana SpA and Publiservizi SpA - which held, respectively, 53.1683% and 0.4326% of the capital of Publiacqua - into Alia Servizi Ambientali SpA and at the specific request of Alia made on 3 February 2023, on 13 February 2023 the Board of Directors decided to enter that company in the shareholders’ register.

Alia Servizi Ambientali SpA made a formal request to Publiacqua to update the shareholders’ register with regard to the transfer to Alia on 30 December 2022, of the entire shareholding of 3.9497% held in Publiacqua by the Municipality of Pistoia.

The shareholders’ register was updated on 13 February 2023, after following the Board of Directors’ decision relating only to the first request made by Alia Servizi Ambientali.

Tuscany - Acquedotto del Fiora S.p.A. (OTA 6 - Ombrone)

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 31 December 2031. On 23 May 2023, Acquedotto del Fiora took over from the wholesale operator Integra Concessioni srl, with regard to the management of the “Terrarossa” purification plant serving the municipalities of Orbetello and Monte Argentario. As required by the relevant laws, this transfer was managed by the Tuscan Water Authority also with reference to the regulatory matters pertaining

to the change of operational scope and quantification of the Residual Value (AIT Shareholders' Resolution No. 8 of 18 May 2023 and AIT Decree No. 83 of 19 May 2023).

With regard to provisions of interest to Acquedotto del Fiora, based on that established in the cited ARERA resolution, on 14 December 2022, based on the actual data collected referring to the years 2020 and 2021 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal, setting the GRC and the Theta for 2022-2023 and also redesigning the entire tariff profile until the end of the IWS concession (AIT Executive Council Resolution 17/2022 of 14 December 2022). This tariff proposal was then sent to ARERA for final ratification.

The revenues and GRC recognised in the 2023 financial statements are based on the cited AIT resolution, which was validated by ARERA following the routine verification process completed in June 2023.

Toscana – GEAL S.p.A. (Ato1 – Toscana Nord)

The Company manages the Integrated Water Service in the Municipality of Lucca, under a Management Agreement with the local authority which expires on 31 December 2025 and which was updated in 2013 to take into account the memorandum of understanding signed with the Tuscan Water Authority AIT on 29 November 2011, in 2016 pursuant to ARERA Resolution no. 656/2015 and in 2020 for the mandatory adaptation to the content of ARERA Deliberation No. 580/2019.

With regard to tariffs, in its deliberation no. 238 of 30 May 2023, ARERA approved the update to the tariff provisions for 2022 and 2023 as proposed by the Tuscan Water Authority following the deliberation of its Executive Council no. 5 of 30 May 2022. The ARERA deliberation no. 238/2023 confirmed the tariff increases for 2022 and 2023 up to the full amount permitted for the regulatory sector in question, which is 6.2% for each of the two years, and accepted the company's request in relation to:

- recognition of the cost of electricity, mentioned in Article 20 paragraph 2 of Annex A to deliberation no. 580/2019 (COEE2023) which is intended to anticipate at least in part the effects of the rise in the cost of electricity forecast for 2023, in the maximum amount applicable for the same year, which is € 406,919;
- the recognition of the costs incurred in relation to the management of six new water sites, for an amount – net of revenues earned – of € 33,730;
- recognition of the extraordinary costs incurred in 2021 in relation to the management of the Covid-19 epidemic, in the sum of €28,046;
- recognition of the Opex Qc component relative to the implementation of Deliberation No. 655/2015 on commercial quality for the years 2020 and 2021, totalling € 487,932;
- recognition of the Opex Qt component relative to the implementation of Deliberation No. 917/2017 on technical quality for the years 2020 and 2021, totalling € 350,160;
- recognition of the Op mis components, relative to the actions taken in 2020 and 2021 to encourage consumers to use water responsibly and to encourage the selective disconnection of supplies, of €115,669.

Finally, with regard to the request for recognition of the additional settlement (Article 27-bis paragraph 1 and II of Annex A to the Deliberation of 27 December 2019, no. 580/2019/R/IDR for the years 2012 and 2013, the amount recognised has been reduced from the €68,862 approved by the AIT in Decision 5/2022, to €19,039, following the Council of State rulings numbered 05428/2022 and 05431/2022, published on 30 June 2022).

The recognition of rent on public land claimed by the Regional Government of Tuscany for the years 2016-2021 has been partially reduced by the amount of €12,760, resulting in a partial reduction in the tariff adjustment of €4,237 and a partial set-off for the residual amount on the AMMCFP tariff component.

The ARERA Deliberation 238/2023 provides that in relation to the further investigation of the updated tariff proposals for 2022-2023, the government body responsible for this Operator is committed to "monitoring the conclusion of the pathway for reviewing the management regulations for the potable water distribution service" to ensure that this is fully adapted in line with specific provisions taken by the Authority with particular regard to hidden leaks.

In accordance with the above, GEAL will send forthwith to the Municipality of Lucca (the competent body) the approval of the regulations for the IWS management with an addendum to regulate the specific requirements of the local area.

Umbria - Umbra Acque S.p.A. (OTA 1 - Umbria 1)

On 26 November 2007, ACEA was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA 1 Perugia for selection of the private minority industrial partner of Umbra Acque S.p.A. (expiry of the concession originally set for 31 December 2027 and which following the Assembly of Mayors of the AURI with resolution 10 of 30 October 2020 was extended to 31 December 2031). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

As of 30 June 2023, the tariff charged to consumers was determined on the basis of Water Tariff Method 3 (MTI-3) based on Resolution no. 63/2021/R/idr of 21 February 2023 in which ARERA approved the update to the 2022-2023 tariff previously approved by the AURI Assembly of Mayors of with Resolution No. 10 of 25 October 2022. For 2023, this provides for a theta of 1.246 and a tariff increase of 7.1% compared to 2022, also due to the reworking of the invoicing of GRC adjustments for 2020-2021. The average tariff €/mc was approximately € 3.35 at 30 June 2023. The number of users served was approximately 236 thousand, substantially unchanged compared to the previous year. With reference to volumes, based on the estimates, approximately 13.9 million cubic metres of water were distributed (-2% compared to the same period in 2022). As invoicing operations were not yet complete when these final figures were compiled, cubic metres distributed but not yet invoiced were estimated and the relevant rate determined based on historic values and prospective measurements.

With regard to Technical Quality, all the annual targets set in Deliberation 917/17 are currently being met, and there has been a change of class for the M3 indicator (quality of the water supplied). With reference to Contractual Quality the trend is positive, with both the main indicators having been met and the class “A” achieved in 2022 on both these indicators also maintained for 2023.

The NRRP interventions include progress on the Chiascio Dam Interconnection (a total of €28 million, of which €16.2 million is funded by the NRRP and €4.17 million comes from the FOI2022 fund) – this is fully in line with the timeframe, as both contracts for the works (phase 1 for the water treatment plant and phase 2 for the pipelines) are now at the final award stage. Also as regards the new Leaks project (a total of €52 million, of which €25 million is funded by the NRRP), the final objective of which is to achieve total leaks of 30%, the final awards on all the contracts are now being concluded (there are 17 different contracts including planning, districting and replacement works). The four sewerage and purification projects are progressing according to plan, and the total NRRP contribution requested for these works amounts to approximately €10 million. The Ministry for the Environment and Energy Security (MASE) has not yet published the final ranking for this funding line. On 3 July 2023, the Ministry published a list of the works proposed for inclusion in the funding for the measure M2C4 Sewerage and treatment Part 4.4 Sewerage and Treatment. This shows that the projects presented by AURI 8 (the competent AGB) whose proponent is Umbra Acque, are the beneficiaries of a new €9 million NRRP contribution. A Ministerial Decree is awaited, before the award procedure can be finalised.

With reference to the equity situation, there has been an increase in short-term financial borrowings and overdue payments to municipal authorities for the fees due in accordance with the concession. In the 2022 financial year, the Company was forced to incur greater costs for energy feedstock, in particular electricity, which reached unprecedented heights (+ €20 million compared to 2021). In the very short-term, these increases have adversely affected the Company’s liquidity, and have generated large trade receivables for tariff adjustments (RcEE). Due to their size and the tariff cap, they will only be recovered in the next four-year tariff period, between 2024 and 2027.

Other factors also arose during the course of 2023, such as the delay in the receipt of outright public grants to complete the investments covered by the current Action Plan (shortfall of approximately €4.7 million), and the awaited payout of the national and regional social bonuses (€5.5 million and €2.7 million respectively, giving a total of €8.3 million), which have almost tripled compared to the figures for 2020.

In order to guarantee business continuity, Umbra Acque has taken all the actions necessary to maintain short-term financial equilibrium (P&L efficiency measures, extended terms of payment with suppliers, blocking payments to shareholders etc.), and has also started discussions with the lenders with a view to obtaining new medium-term finance to support working capital (while awaiting the recovery of the tariff adjustments) and investment activities.

Umbria –S.I.I. S.c.p.A. (OTA2 – Umbria 2)

The Optimal Territorial Area Authority no. 2 Umbria (O.T.A. Umbria n°2), awarded to S.I.I. S.c.p.A. from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no.4 of the Umbria AURI). The Terni Area covers an area of 1,953 square kilometres, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. Users served total around 121 thousand and the water network covers 2,602 kilometres.

Pursuant to ARERA Resolution 639/2021 for the two-year update (2022-2023) of tariff arrangements, the Company supplied and submitted to AURI the data collection for 2020 and 2021, completed with the applications for the recognition of the Rcarc, Opmis, Opsocial and OpexQC components. At the same time, it has produced what is required to allow AURI to formulate a reasoned request to the CSEA for the activation of forms of financial advances related to the procurement of resources to meet part of the expenses incurred for the purchase of electricity in accordance with ARERA Resolution 229/2022. In the AURI Deliberation No. 12 of 25 October 2022 followed by the ARERA Deliberation No. 78/2023/R/Idr of 28 February 2023, approval was given for the tariff update for 2022-2023 including full recovery of the higher cost of electricity supplies, in accordance with the cap on the possible tariff increase. This was achieved through utilisation of the adjustment component “costs (...) for the occurrence of exceptional events” which will begin to influence tariffs starting in 2024. During the first half of 2023, despite the fact that electricity supply prices have been mitigated compared to the previous year, the IWS is now having to bear higher costs than those on the tariff, with the inevitable consequence that the financial requirement is building up. To fully cover the higher cost, in October the IWS prepared and sent to the AGB an energy efficiency plan, prepared in accordance with the guidelines set out in ARERA Deliberation 229/22. Based on the ARERA Deliberation No. 495/22 of 13 October, in which the Authority requested a second window of time within which the Area bodies could, at the request of the relevant operator, file a request with CSEA to obtain the financial advances introduced by Deliberation 229/2022/R/ldr, connected to the sourcing of funds to cover part of the costs of purchasing electricity, AURI filed a request to obtain a financial advance at the rate of 35% of the cost of electricity on the tariff for 2022. On 29 December 2022, CSEA disbursed € 2.5 million in favour of the IWS which must be repaid in two annual instalments (December 2023 and December 2024).

Following the publication of Deliberation No. 63/2021/R/com of 23 February 2021 “Application of the rules on the automatic granting of electricity, gas and water hardship bonuses to the entitled beneficiaries”, the Water Bonus was automatically paid to the service users without them having to request it. To manage this process, the IWS has had to become accredited with the integrated information system and has also signed an agreement with the Authority (for the processing of personal data). In May, the Single Purchaser provided the IWS with the flows for the “mass” management of bonuses for the years 2020 and 2021 and the monthly bonus flows for 2023. This relates to a total of 17,000 bonuses payable.

ASM Terni

The Company’s mission is to manage the environmental hygiene service in terms of the collection, transport, treatment and disposal of waste, the production and distribution of electricity and public lighting on a transitional basis, the management of the natural gas

network and the related investments under the service agreement with Umbria Distribuzione Gas, the distribution of potable water, the treatment of wastewater and water quality control, as the Operational Partner of the IWS concession holder. The water service in the province of Terni is managed by SII S.c.p.a. (see previous paragraph), whose purpose is to optimise the local water resources by aggregating the competences and responsibilities under a single operator. ASM Terni operates by pursuing the continuity and regularity of the service delivered, by improving and upgrading the strategic infrastructures in the various areas and by providing a proactive, responsive service to customers.

On 6 December 2022 and 19 April 2023, the first and second phases of the aggregation between Acea Group and ASM Terni were concluded, following the public procedure launched by the same ASM. This operation is of significant strategic value and is intended to create an integrated multiutility in Umbria, providing electricity and gas distribution and retail, waste management and integrated water cycle services.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023, as well as the two-year tariff update for 2022-2023.

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status, two-year update (2022-2023)
ACEA Ato2	On 27 July 2016, EGA approved the tariff, including the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/ldr. <u>The ARERA then approved them in Resolution 674/2016/R/IDR, with some changes compared to the AGB's proposal; quality bonus confirmed.</u>	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/ldr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020 ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/IDR	Following the formal warning of 18 October 2022 sent by ARERA, the Conference of Mayors approved the 2022-2023 tariffs on 30 November 2022. ARERA approval arrived with resolution 11/23 of 17 January 2023.
ACEA Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{acc} . ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opex _{acc} . Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. ARERA has not yet given its approval. The Operator appealed that decision before the Regional Administrative Court, which rejected the appeal. The Company lodged an appeal with the Council of State, and submitted an application for financial rebalancing.	Following the formal warning sent by ARERA on 29 November 2022, EGA approved the 2022-2023 tariff proposal on 11 January 2023. ARERA has not yet given its approval. On 22 June 2023, the Operator sent ARERA a rebalancing application.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opex _{acc} as of 2017. Approval by ARERA is awaited. With Resolution 247 of 31 May 2022, ARERA ordered CWA to employ and submit — within 90 days — specific determinations regarding rate arrangements for the years 2012 and 2013. The measure at the same time extends the deadline for the conclusion of the proceedings to 30/09/2022, for the renewal of the contradictory preliminary investigation underlying the tariff determinations in Resolution 104/2016 (2012 - 2013 and 2014 - 2015)	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. Following a warning from ARERA, the CWA (Campania Water Authority) with a resolution dated 12 August 2021, approved the 2020-2023 tariff proposal. ARERA has not yet proceeded with approval.	On 10 August 2022 with resolution no. 35 the CWA approved the two-year update 2022-2023 including the earlier items prior to 2012. Approval by ARERA is awaited.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opex _{acc} . Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/ldr of 28 September 2021.	AIT approved the 2022-2023 update on 25 November 2022. Approval by ARERA is awaited.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/ldr. <u>On 12 October 2017, with resolution 687/2017/R/IDR ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.	The AIT Executive Council approved the update for 2022-2023 on 22 February 2023. Approval by ARERA is awaited.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opex _{acc} . <u>On 12 October 2017, with resolution 687/2017/R/ldr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/IDR of 2 March 2021	AIT approved the 2022-2023 update on 14 December 2022. The ARERA approved the tariffs on 13 July 2023.

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status, two-year update (2022-2023)
		(theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised OpexQC) and the extension of the concession with Resolution no. 465 of 12 November 2019.		
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{QC} . <u>On 26 October 2017, with resolution 726/2017/R/IDR ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.	On 31 May 2022, the Tuscan Water Authority AIT, with its Deliberation No. 5, approved the tariff arrangement for the years 2022 and 2023. ARERA approval arrived with resolution 238/23 of 30 May 2023.
Acea Molise	Following Resolution no. 664/2015/R/IDR, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.	Currently being defined with EGAM
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/IDR MTI-3 of 27 December 2019. The CWA convened the District Council for 22 July 2021 (findings report on checking of the minutes of 31/7/20) following the warning from ARERA received on 2 July 2021. In February 2022, a new District Council was appointed, which has not yet expressed a position on the tariff arrangements.	On 28 February 2023, the CWA was warned by ARERA to make the rate decisions for which it is responsible.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/IDR of 25 May 2021	With resolution 12/2022 of 29 July 2022, the AIT Executive Council approved the tariff provisions for 2022 – 2023. ARERA provided approval with resolution 535/2022 of 25 October 2022.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the Opex _{QC} . <u>The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 63 of 21 February 2023.
Sil Terni S.c.a.p.a.	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78 of 28 February 2023.

Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in the first half of 2023 valued on the basis of the new MTI-3 Tariff Method. The data also include the adjustments of passing items and the Fo.NI component.

Company	IWS revenues (pro quota values in € million)	FONI (pro quota values in € million)
ACEA Ato2	375.9	FNI = 25.6 AMMFoNI = 11.7
ACEA Ato5	43.1	FNI = 0.9 AMMFoNI = 3.1
GORI	111.2	-
Acque	36.5	AMMFoNI = 2.6
Publiacqua	57.2	AMMFoNI = 10.7
AdF	60.6	AMMFoNI = 6.1
Gesesa	7.1	-
Nuove Acque	5.0	AMMFoNI = 0.8
Geal	5.2	AMMFoNI = 0.4
Acea Molise	2.1	-
Sil	19.9	AMMFoNI = 0.4
Umbra Acque	17.4	AMMFoNI = 1.4

Related Party Transactions

ACEA GROUP AND ROMA CAPITALE

Trading relations between ACEA Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.

Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.

ACEA and ACEA Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty–year concession agreements. Further details are provided in the section “Service concession report”.

For further information regarding relations between the ACEA Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 26 of this document.

The following table shows details of the main revenues and costs at 30 June 2023 of the ACEA Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	30/06/2023	30/06/2022
REVENUES		
Supply of fresh water	25,364	25,179
Supply of electricity	0	1
Public Lighting Service Contract	24,868	20,681
Public Lighting contract interest	3,601	2,685
Water maintenance service contract	75	63
Monumental fountain service contract	75	63
COSTS		
Concession fee	13,169	13,168
Lease fees	56	56
Taxes and duties	1,509	1,509

Reference should be made to note 26.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2022	Receipts / payments / set-offs	Accruals 2023	30/06/2023
Receivables	150,494	(18,274)	54,127	186,346
Payables	(148,779)	74,587	(107,843)	(182,036)

ACEA GROUP AND ROMA CAPITALE GROUP

The ACEA Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of ACEA Energia.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the ACEA Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
Ama S.p.A.	785	656	3,697	1,047
Atac S.p.A.	80	45	5,250	759
Assicurazioni Di Roma - Mutua Assicuratrice Romana	0	0	9	0
Total	865	701	8,955	1,806

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The ACEA Group companies maintain trading relations that mainly concern the supply of electricity and water.

The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of ACEA Energia.

The following table shows the most significant amounts relating to financial relations between the ACEA Group and the main entities owned by the Caltagirone Group at 30 June 2023.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	87	104	0	110

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

The table below contains details of the financial relations between ACEA Group and the main Suez Group companies, as at 30 June 2023.

€ thousand	Revenues	Costs	Receivables	Payables
Suez Environment Company SA Group	15	128	0	128

It must also be noted that the financial balances described above do not include relations with companies in the Group consolidated under the equity method., which are included in the financial statements.

List of significant related party transactions

During the reference period, a significant non-recurring related-party transaction was carried out in relation to a declaration of interest in the waste-to-energy plant in Rome. The declaration was made by Acea Ambiente, a subsidiary of Acea.

On 1 March, Acea Ambiente responded to the public call by the Municipality of Rome, seeking operators interested in submitting project financing proposals for the award of the concession for the systems hub covering the design, operational authorisation, construction and management of a waste-to-energy site and ancillary systems. Its declaration of interest was submitted in collaboration with the major national and international partners such as Vianini Lavori and Suez.

The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the Statement of Financial Position

€ thousand	30/06/2023	Of which with related parties	Impact	31/12/2022	Of which with related parties	Impact
Financial assets	25,842	3,235	12.5%	30,531	4,865	15.9%
Trade receivables	1,219,134	73,500	6.0%	1,267,445	61,714	4.9%
Current financial assets	729,592	137,996	18.9%	342,085	117,998	34.5%
Trade payables	1,686,599	24,583	1.5%	1,849,980	41,985	2.3%
Borrowings	405,885	156,997	38.7%	619,418	108,523	17.5%

Impact on the Income Statement

€ thousand	30/06/2023	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Consolidated net revenue	2,296,170	85,340	3.7%	2,347,664	61,354	2.6%
Consolidated operating costs	1,638,790	30,455	1.9%	1,681,197	33,600	2.0%
Total Financial (costs)/income	(67,389)	2,428	(3.6%)	(43,729)	(2,378)	5.4%

Impact on the Cash Flow Statement

€ thousand	30/06/2023	Of which with related parties	Impact	31/12/2022	Of which with related parties	Impact
Increase in receivables included in the working capital	4,446	(11,785)	ns	(247,714)	(10,113)	4.1%
Increase/decrease in payables included in the working capital	(153,494)	(17,403)	11.3%	127,769	(9,980)	(7.8%)
Collections/payments deriving from other financial investments	(383,424)	(18,368)	4.8%	72,190	(563)	(0.8%)
Dividends received	344	344	100.0%	3,381	3,381	100.0%
Decrease/increase in other short-term borrowings	14,869	48,475	ns	84,249	(11,614)	(13.8%)
Dividends paid	(134,793)	(134,793)	100.0%	(143,195)	(143,195)	100.0%

Update on major disputes and litigation

Tax issues

Tax audit of SAO (now incorporated into ACEA Ambiente)

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of Article 14, paragraph 4 bis of Law no. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.

By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs. On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now ACEA Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD S.p.A., with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The Company's defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

The Court of Cassation with judgements no. 29153/21 and no. 29400/21, overturning completely the rulings of the Tax Commissions, cancelled the appealed judgements and sent the case back to the RTC of Umbria for a new examination of the disputes.

On 5 December 2021, proceedings resumed for Court of Cassation decision 29153/21 of 20 October 2021 and Court of Cassation decision 29400/21 of 21 October 2021 (our ref. no. 2715-01/02); section 1 of the second level Tax Court of Umbria, with decisions 80/2023 and 81/2023, ruled as follows: "Lifting its reservation, the Court rejects the Revenue Agency's appeal and orders it to pay court costs".

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to € 1.3 million, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Court of Cassation with judgement no. 33284/21 of 11 November 2021, accepted the appeal presented by the Revenues Agency against the judgement of Sect. no. 4 of the Umbria RTC no. 52/04/12 of 26 March 2012, which had cancelled the measure with which the Office ordered the suspension of disbursement of the VAT rebate related to the 2003 tax period.

It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By ruling no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenues Agency lodged an appeal to the Court of Cassation. With judgement no. 29050/21 of 20 October 2021 the Court of Cassation rejected completely the appeal presented by the Revenues Agency.

Tax audit of areti

In the Report on Findings (PVC) concerning the general inspection for 2010, an assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.

On the basis of the notification made in the PVC, the Lazio DRE - Major Taxpayers' Office served five notifications of assessment concerning VAT for 2009, 2011, 2012, 2013 and 2014.

With regard to the notices relating to 2009, 2011 and 2012, the Regional Tax Commission considered the company's reasons valid and annulled the notices of assessment, and the litigation is now pending before the Court of Cassation. With relative to the year 2013, the CTR granted the Office's appeal. The term to file an appeal with the Court of Cassation was 27 March 2023, extended to 27 December 2023, pursuant to the 2023 Budget Law. With reference to the notice of findings for 2014, with decision 4293/2022, the CTP granted the Company's appeal. The Office has appealed the same and the company appeared as appropriate.

On the basis of another report, the Company received notices of assessment for the years 2011 to 2014 concerning the IRAP treatment of tariff benefits granted to employees and former employees. Relative to the year 2011, the CTR, confirming the first level decision, annulled the notice. With an ordinance filed on 31 May 2022, the Court of Cassation rejected the Attorney General's appeal which can therefore be considered concluded. With reference to 2012, with decision 3612/2022, filed on 12 August 2022, the judges granted the Office's appeal. The deadline for filing an appeal for the Court of Cassation was 28 February 2023, extended to 28 November 2023, pursuant to the 2023 Budget Law. For 2013, with decision 5567/2022 the CTR rejected the Company's appeal. The deadline for the appeal was to be 1 June 2023 but is extended to 1 March 2024 pursuant to the 2023 Budget Law. For the year 2014, the CTP rejected

the appeal with decision 12424/16/2021. The company appealed this decision in line with the law. At present the date for the hearing has not yet been set.

Tax disputes/lawsuits with ARSE

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo Srl, a company in the photovoltaic segment. The tax demanded, including interest, amounts to € 672 thousand. On 7 March 2016, the beneficiaries of the ARSE – ACEA S.p.A., ACEA Liquidation e Litigation (ex Elga Sud) and ACEA Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.

On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. The hearing was held on 9 June 2022 and the CTR, in decision 3450/2022, rejected the Office's appeal, with legal expense reimbursement. The deadline for the Office to file an appeal with the Court of Cassation was 27 February 2023, extended to 27 November 2023, pursuant to the 2023 Budget Law.

Tax audit of ACEA Ato5

On 7 March 2018 the Guardia di Finanza - Economic and Financial Police Unit of Frosinone - Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.

On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.

On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKO0C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against the said assessment before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.

In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged that judgment and filed an appeal before the Regional Tax Commission.

It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.

It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.

As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017. With reference to the findings related to the lack of jurisdiction disputed for 2015, supported by its tax advisors, having carried out the appropriate assessments of the risk profiles related to the aforementioned findings, the Company allocated a provision for tax risks for approximately € 701 thousand, whereas, with reference to the other findings, supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.

Also, in relation to the aforementioned last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- 🔍 notice of assessment no. TKQ0E6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- 🔍 notice of assessment no. TKQ0C6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- 🔍 notice of assessment no. TKQ0E6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of IRES assessment were served to the Parent Company ACEA as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless.

The PTC of Frosinone accepted the company's defensive arguments and cancelled the notices related to IRES years 2013 and 2014 and IRAP year 2014 ordering the Agency to pay the costs.

The Revenues Agency lodged an appeal. The Company entered an appearance at second instance by filing counterarguments. The case is pending as a hearing is still to be fixed.

On 23 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQOE6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;

On 28 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQOE6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company ACEA as consolidating company.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. The hearing relative to the aforementioned IFES rulings was set for 27 September 2022. A further hearing was set for 16 May 2023. The decision of the Tax Court is awaited.

Customs audits of Umbria Energy S.p.A.

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.

The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.

The company promptly challenged these provisions with the relevant institutions.

In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjustments, the procedure to be applied is that of submitting a formal request for reimbursement to the Office in accordance with art. 14 of the Environment Act. The relevant sentences were promptly appealed by the Company and the corresponding judgements are currently pending before the Perugia CTR, which has postponed the proceedings to be rescheduled.

With regard to the deeds challenged by the Company relating to the electricity injected for consumption in the province of Terni for the year 2010, the decision of appeal, while confirming the decision of the first instance with regard to the tax due, found that the obligation of the Office to recalculate the penalty was justified. The ruling was promptly appealed by both the Company and the Customs Agency and the relevant case is currently pending before the Supreme Court of Cassation.

Management carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional, appointed to defend the Company.

At 31 December 2022, as there are no new elements that could change the assessment of the risk inherent in the dispute in question, the provision of € 1.0 million has been kept unchanged with respect to the previous year.

Other issues

ACEA Ato5 - Injunction order for payment of € 10,700,000 and counterclaim to OTAA 5 for concession fees

On 14 March 2012, ACEA Ato5 filed an application for an injunction, relating to the credit of €10,700,000 which had been granted to the Company by the AATO in respect of the higher costs incurred during the 2003-2005 period.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge – in an Order deposited on 24 July – suspended the temporary enforcement of the injunction order and adjourned the discussion of the merits of the case, also rejecting the request for the granting of an order for payment of the concession fees, made by the AATO.

In its judgment number 304/2017, the Court of Frosinone:

- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no.5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settlement Agreement of 27.02.2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called "price cap" principle is only valid for any tariff increases;
- annulled the injunction order on the assumption of the nullity of the Resolution of the Mayors' Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;

- rejected the requests prepared subordinately (in the event that the Settlement Agreement had been declared invalid) by ACEA Ato5 defence attorneys, intended to obtain recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt, describing the existence of a residual credit of approximately € 7,000,000.

This was followed by further payments by the Operator, but due to the credit/debit discrepancies between the parties, in April 2021 the court ordered an expert witness report. Following that, at the hearing on 15 December 2021 the Operator made a settlement proposal which was then rejected by AATO 5.

In its order of 31 May 2023, the Judge also held that the debt had been paid off, based on the payments made by Acea during the proceedings. The court also identified a surplus payment by ACEA Ato5, equal to the difference between the sum owed (€ 26,313,251.50) and the sum effectively paid by ACEA Ato5 (€ 28,690,662.85), amounting to approximately € 2,377,000.

In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court. The Court, after hearing the respective positions of the parties, adjourned the case to 20 November 2020 for the oral discussion and the delivery of the judgement pursuant to art. 281 sexies of the code of civil procedure. The case was then further adjourned until 13 December 2023, at the request of the parties.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by ACEA Ato5 S.p.A. to the Court of Appeal of Rome, was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.

The validity of the appeal and the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA 5 Conference of Mayors, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the "savings on the concession fees to be paid to the Municipalities" (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to "unspecified savings on the concession fees to be paid to Municipalities" was not considered adequate and sufficient;
- considered that there are valid and grounded reasons to grant the Operator's request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company's financial statements.

ACEA Ato5 - Lazio Regional Administrative Court appeal of contract termination

With regard to the matter of the termination of the Management Agreement, we are awaiting rulings on the appeals filed by several Municipalities of the Ato5 and OTAA5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court - detached section of Latina upheld the appeal filed by the Company against Resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.

It should be noted that the aforementioned appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. The Company filed its incorporation documents in both these disputes. The hearings were set for 21 September 2023 as to the appeal filed by the Municipalities, and for 28 November 2023 as to AATO5.

ACEA Ato5 - Municipality of Atina - City Council Resolution no. 14 of 17 April 2019

Following the transfer of the management of the IWS of the Municipality of Atina to ACEA Ato5, on 19 April 2018, the Municipality decided to "establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2 bis of Italian Legislative Decree 152/2006, declaring the Integrated Water Service "local public service without economic importance" (Municipal Council resolution no. 14 of 17 April 2019).

OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court – Latina Section – also serving the Company and the Lazio Region.

As far as ACEA Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Operator, the Company has deemed it appropriate to file suit and is waiting for the hearing to be set.

On 1 June 2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006 in its final stages.

ACEA Ato 5 – Municipality of Anagni – Appeal to the Lazio Regional Administrative Court (Latina). Annulment of order to demolish treatment plant in the San Bartolomeo district of the Municipality of Anagni.

On 4 November 2021, with Executive Order no. 236/2021 the Municipality of Anagni ordered the demolition and removal of the Treatment Plant located in the San Bartolomeo district (Anagni) and the consequent restoration of the original condition of the places as they were before the work began. The local Council alleges that the said infrastructure was created in breach of art. 10 of Italian Presidential Decree 380/2001, given that the work is said to have been done without planning permission, and in breach of art. 24 of Italian Presidential Decree 327/2021, given the non-definition of the expropriation order with the due notification procedures. In addition, according to the Council the plant occupies an area covered by the constraint for sites of national interest (Hydrographic basin of the River Sacco). Against this measure the Company presented an application for access to the records, which was rejected by the Municipality.

At the same time the Company lodged an appeal with the Lazio Regional Administrative Court (RAC) – detached section of Latina - in order to obtain, as a precautionary measure, the suspension of the effectiveness of the measure appealed against and, on the merits, the acceptance of the application for access to the records and the cancellation of the executive order. With an order of 14 January 2022 the Lazio RAC accepted the precautionary application and set the hearing of the merits for January 2023. At the hearing on 11 January 2023, the Regional Administrative Court, based on a request by both parties, further postponed the matter until 7 June 2023. The case has been adjourned for a decision.

ACEA Ato5: Opposition to injunction by the Municipality of Fiuggi

In the Injunction ordered by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay ACEA Ato5 the sum of €185,685.00 in respect of unpaid bills for the supply of water to service users covered by the Municipality.

The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order ACEA Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.

The Municipal Administration also requested that ACEA Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone No 4164/2013 in its final stages.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The case was thus adjourned until 19 December 2023 to allow verification of performance of the obligations deriving from the settlement agreement. To date, the activities carried out are in line with the schedule agreed by the parties.

ACEA Ato5: Class actions under Art. 140 bis of Legislative Decree 206/2005

On 17 May 2019 a summons was served initiating a class action under the terms of art. 140 bis of Italian Legislative Decree 206 of 2005 before the Court of Rome.

The action, started by the Cassino No Acea Committee, was launched against the Company in the interest of 729 users, in order to:

- ascertain the non-existence/nullity of contracts in being between the users and the Operator;
- ascertain the illegitimate application of the *pro die* method;
- declare not payable the sums requested for previous items;
- have the Company ordered to return any sums received.

On 5 November 2021, the Civil Court of Rome declared the class action brought by the NO ACEA Committee to be inadmissible. The Committee then filed an appeal. In an order made on 17 February 2023, the Rome Court of Appeal amended the lower court's decision, while also indicating that it had not investigated the merits of the dispute; the appeal court found that the class action brought by the No Acea Committee was admissible and referred the case back to the Court of Rome.

On 12 June 2023 the case was allocated to the second civil section of the Court of Rome.

Acea S.p.A. - 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 S.p.A. 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.

Acea S.p.A. - Trifoglio S.r.l.

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011. In consideration of Trifoglio's breach, a notice was served aimed at giving notice to sign a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file an appeal pursuant to art. 702-bis of the Code of Civil Procedure at the Court of Rome. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Cases as a defendant: Trifoglio has notified ACEA and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.

By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of ACEA aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (Euro 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of ACEA with regards to the truthfulness of the contractual guarantees offered to Trifoglio.

On 8 August 2017, Trifoglio appealed and in a decision issued 5 July 2022, the Court of Appeal of Rome confirmed the ineffectiveness of the sales contract stipulated between Acea S.p.A. and Trifoglio S.r.l. on 22 December 2010, and fully rejected the claim for compensation of Trifoglio S.r.l.

Specifically, the panel reformed the first instance sentence in the part in which it officially found the nullity of the sales contract, but in any case declared the ineffectiveness of the same, confirming ACEA's obligation to repay the advance - price received (equal to € 4 million), a sum already paid in implementation of the first aid sentence. The proceeding has now been concluded.

Acea S.p.A. – 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 judgment dated 4 March 2023, Acea was ordered to pay the salary differences which were settled, reserving the right of reimbursement. The terms for appeal are pending.

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 appeal proceedings started by Acea are still pending.

Acea S.p.A. – 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 S.p.A. (which transferred its rights to ACEA S.p.A.), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

ACEA filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

ACEA S.p.A. and areti S.p.A. – MP 31 S.r.l. (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 S.p.A. and ACEA Ato2 S.p.A. - CO.LA.RI

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi S.r.l. – 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 parties' final arguments took place on 22 March 2021. The judge took into account the pleas made in the briefs filed by the parties and granted a further adjournment. At the hearing on 26 April 2022 an exception was also raised concerning the lack of active standing for Co.La.Ri and E.Giovi due to the commissioning of the Malagrotta landfill (in relation to the reclamation and post-operational activities) ordered in the Prime Ministerial Decree of 18 February 2022. We are currently awaiting the dissolution of the reserve by the Judge on the requests of the parties.

ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, ACEA Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL Resolution no. 56 of 6 February 2018, GRL Resolution no. 129 of 20 February 2018, GRL Resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With Resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued Resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 25 October 2023. A similar appeal was filed by ACEA Ato5 and, in this case as well the hearing was most recently adjourned, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

ACEA Ato2 S.p.A. – Parco dell'Aniene Scarl

Civil Judgement

In June 2019 the company Parco dell'Aniene Scarl sued ACEA Ato2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara - Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more than € 105 million. The designated Judge, who initially considered that the claim of a lack of jurisdiction proposed by Acea was sufficient to define the case, set the hearing for definition of the conclusions.

At the same time, Parco dell'Aniene introduced an appeal for jurisdictional regulation before the United Sections of the Supreme Court of Cassation and with an order of 29 July 2021 declared the administrative court had jurisdiction.

Noting the provision of the Supreme Court, with a decisive ordinance of 15 November 2022, the Judge declared it was impossible to proceed with the civil judgement proceeding.

Administrative Judgement

With an appeal filed on 23 November 2021, Parco dell'Aniene Scarl resumed the case before the Regional Administrative Court of Lazio.

ACEA Ato2 appeared as appropriate, requesting inclusion of the insurance companies already involved in the civil judgement case in the cross examination. At present we are awaiting the scheduling of the hearing.

ACEA Ato2 S.p.A. - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) – with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale – which involve ACEA Ato2 and Roma Capitale as counterparties.

Appeals brought by the Postribù Association and the Municipality of Casaprota

With reference to both appeals – notified, respectively, on 16 and 19 September 2019 – with judgements of 13 March 2021, the High Court of Public Waters rejected completely the appeal lodged by the Municipality of Casaprota and declared inadmissible that of the Postribù Association, for lack of active legitimation. The cases have now been defined.

Appeal filed by the Municipality of Rieti

The appeal, lodged on 16 September 2019 was completely rejected with a judgement of 11 August 2021.

The Municipality appealed that decision before the United Sections of the Court of Appeal. The proceedings ended with a dismissal order made on 5 April 2023 and an appeal for Rectification made to the Higher Court for the Public Water supply (TSAP) which recently adjourned the hearing until 20 September 2023.

ACEA Ato2 S.p.A. - Enel Green Power Italia S.r.l.

With an appeal of 27 July 2020, Enel Green Power Italia S.r.l. (EGP) summoned ACEA Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement in effect between the parties as of 1985), for electricity which could not be produced with the Farfa 1° salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.

More specifically, the appellant states that between 2009 and 2019, ACEA, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears.

ACEA Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.

Based on the application of this calculation method, ACEA Ato2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus interest, in that it was not due from ACEA Ato2.

With a decision on 14 November 2022, the TRAP, granting the exception raised by ACEA Ato2, declared its lack of jurisdiction in favour of the Civil Court of Rome, setting a deadline of 90 days for resumption.

In a writ of summons served on 25 January 2023, EGP reinstated the proceedings before the Court of Rome. The hearing has been set for 1 February 2024.

ACEA Ato2 S.p.A. and Acea Produzione S.p.A. - Erg Hydro S.r.l.

With separate appeals, notified on 10 March 2021, Erg Hydro S.r.l. summoned ACEA Ato2 and Acea Produzione before the Regional Court of Public Waters (RCPW) at the Rome Court of Civil Appeal to obtain ascertainment of its right to receive by way of indemnity for lower voltage - due to it on the basis of the agreements in effect between the parties as of 1985 - for electricity which could not be produced with its plants, given the diversion of the sources of the Peschiera and affected by the regurgitation of Nera Montoro.

The application lodged regards the payment of default interest for delayed payment of past invoices, and the different amount of the adjustments calculated differently on the basis of the aforementioned agreement of 1985.

Specifically, the total request in relation to ACEA Ato2 is approximately € 4,500,000.00, while in relation to ACEA Produzione the application lodged is for approximately € 140,000.00.

The defendants joined the case arguing that the amounts requested had lapsed, and that the interpretation of the agreement on which the plaintiff based its request was groundless.

In November 2021, a court-appointed expert was assigned to quantify the indemnity due by ACEA Ato2 for the lower voltage of Peschiera.

The report issued in July 2022 confirmed the accuracy of the lower voltage calculations prepared by ACEA Ato2 and the hearing to examine the expert's report was most recently postponed to 21 March 2023. A hearing before a panel of judges has been set for 21 November 2023.

areti S.p.A. - GALA S.p.A.

In November 2015, areti signed a transport contract for the electricity distribution and metering service with Gala S.p.A., a company that sells electricity to end users.

Starting in March 2017, Gala S.p.A. fully ceased paying the fees invoiced and due to areti. Protecting its rights as a creditor, on 7 April 2017 areti began enforcement of the guarantees issued by Gala S.p.A. and later, the non-fulfilment of the obligations deriving from the contract being disputed by both Gala S.p.A. and the guarantors, the termination clauses found therein were utilised.

The main pending disputes generated by the complex matter are summarised below.

Judgement filed by the guarantor Euroins Insurance plc

In July 2017, Euroins Insurance p.l.c., a guarantor of GALA, independently introduced an assessment proceeding to declare the non-existence of its own guarantee obligation.

The case was taken before Section XVII of the Court of Rome and with a judgement of 10 May 2021 the action for ascertainment of invalidity of the policy was rejected, with an order to Euroins to pay areti the sum of € 5.00 million plus legal interest from the application to payment of the balance and legal expenses.

The judgement also ordered GALA to ensure the release of the guarantor, directly paying areti the sum of € 5.0 million plus legal interest.

On 8 June 2021, GALA paid the amount indicated in the judgment of its own accord, paying Areti a total of €5,058,986.30, reserving plus legal interest, reserving the right of objection and reimbursement of the amount unduly paid, also in respect of the claims made in the parallel civil proceedings between GALA and Areti.

GALA's summons on appeal was served on 10 December 2021 and the hearing has been postponed to 22 June 2026 for the oral discussion.

GALA's summons to areti, Acea Energia and Acea

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200 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.

The case was assigned to the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs. The oral hearing was held in April 2022. In a judgment 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 sum of €61,195,238.00 in compensation, plus interest. The company was also ordered to reimburse Acea, Areti and Acea Energia for the cost of the proceedings. The terms for appeal are pending.

On 3 February 2023, Gala S.p.A. filed a notice requesting the start of negotiated composition proceedings to resolve the crisis, and for the granting of protective measures under Article 12 et seq of Legislative Decree No. 14 of 12 January 2019). The court accepted their application and granted the requested measures for a period of 120 days; this was then extended from 9 June 2023 by a further 120 days. Negotiations are currently ongoing between the parties to reach an amicable settlement in relation to the accounts receivable covered by this judgment.

areti S.p.A. – Metanewpower (MNP)

In November 2015, in its capacity as operator of the electricity distribution network, areti entered into a transport contract with Metanewpower, which operates in the sale of electricity to end users, a contract the seller repeatedly breached.

Judgement on guarantees

With summons served on 7 September 2018, MNP challenged the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the system charges regardless of the actual collection from the final customer, claiming compensation for damages due to providing the guarantees for approximately € 2.0 million, alleging also abuse of a dominant position by the distributor areti.

In the meantime, due to the serious breach of contractual obligations, on 8 October 2018 areti notified MNP of the termination of the transport contract.

During the court case, in December 2019, the counterparty amended its claim for damages, quantifying them at over € 34.0 million including however in the demand the amount of approximately € 11.0 million for damages from termination, requested also in an additional compensation judgement.

With a decision of 27 July 2022, all the requests made of areti were rejected, with the counterparty ordered to pay court expenses. The proceeding has now been concluded.

Compensation judgement

Following an initial precautionary phase in favour of the seller, in the context of which the judge determined a marginal violation of the distributor's requirement to collaborate, even in the case of seller breach, in a writ of summons served on 5 December 2018, MNP filed an ordinary case, disputing the validity of the contractual clauses and requesting compensation for damages due to termination of the contract, following the Court ordinance as cited. The request, as most recently specified on the occasion of the preliminary pleadings, amounts to at least € 14.0 million. At the hearing for specification of the conclusions on 7 December 2022 the decision was withheld, with terms granted for the closing briefs. In a judgment dated 24 June 2023, the Court of Rome fully upheld the defence arguments of Areti, dismissing the adverse party's claim for compensation and ordering Areti to pay the costs of the litigation. The terms for appeal are pending.

Recovery of areti's receivable from Metanewpower

On 30 May 2019, following MNP's continuing breach, areti ordered a new contractual termination and initiated the recovery of its receivable, obtaining the issue of an injunction for the amount of approximately € 3.85 million by way of default. MNP – for the same reasons already stated – lodged an objection to the injunction. With a measure of 15 November 2021, lifting the reservation adopted on the occasion of the hearing on 3 December 2020, the judge rejected the application for concession of provisional enforcement of the decree, granting the terms for the pleadings pursuant to art. 183 of the Code of Civil Procedure and adjourning the case for the continuation to the hearing on 10 March 2022. On that occasion, the judge, considering the preliminary requests irrelevant, postponed for conclusions to March 20, 2024.

areti S.p.A. – Metaenergia S.p.A.

In October 2018, the company Metaenergia S.p.A., which operates in the market of electricity sales to final customers, sued the distributor areti, contesting the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the general system charges regardless of the actual collection from the final customer. The plaintiff company therefore demanded the return of the amounts paid as guarantee deposits and compensation for damages due to providing the guarantees for approximately € 320 thousand, alleging also abuse of a dominant position by the distributor areti. With a sentence of 22 June 2022, the Judge completely rejected the requests proposed by the trader Metaenergia, also condemning it to pay the costs of the litigation. The proceeding has now been concluded.

Gori S.p.A. – Consorzio di Bonifica Integrale del Comprensorio Sarno

With decision 7271/2021 of 7 September 2021, the Court of Naples, XII Civil Section, rejected the request made by Consorzio di Bonifica Sarno to condemn GORI S.p.A. to payment of around € 21 million as consortia expenses relative to the period from 2008 to 2016, based on the fact, briefly, that the Consortia did not provide evidence (above all due to the uncertainty of the data and the lack of documentation produced) of the direct benefits, thereby economically calculable, received by GORI for the use of the consortia channels, with the effect of "impossibility to identify certain data and quantify precisely and without doubt the contribution due by the Company". The Consorzio di Bonifica del Comprensorio Sarno appealed the decision and the Court of Appeals of Naples referred the case for the specification of conclusions to the hearing on 17 September 2024.

AGCM Proceeding A/513 – Acea S.p.A., Acea Energia S.p.A. and areti S.p.A.

On 8 January 2019, the Antitrust Authority notified ACEA, ACEA Energia and areti of the final order for Proceeding A/513.

With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered ACEA S.p.A., ACEA Energia S.p.A. and areti S.p.A. to pay an overall pecuniary administrative fine of € 16,199,879.09.

Fully convinced of the illegitimacy of this measure, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by ACEA Energia and the other by ACEA S.p.A.. With separate judgements on 17 October 2019 the appeals were accepted and, as a result, the sanction was cancelled.

In notices of appeal served on 17 January 2020, AGCM appealed the judgments before the Council of State and the companies both filed appearances in the respective proceedings.

The cases were adjourned for a decision at the public hearing on 11 May 2023. In a judgment of 31 May 2023, the Council of State, in combining the appeal proceedings, rejected the grounds of appeal raised by AGCM.

AGCM Proceeding PS12458 – Acea Energia S.p.A.

On 18 October 2022, the Company received a communication in which AGCM requested information about so-called “*unilateral contract amendments*”. On 4 November 2022, the Company provided a response to AGCM relative to the requested information and, on 12 December 2022, held it expedient to send a second communication with further details to demonstrate the compliance of its actions with that established in article 3 of the Aid-bis Decree Law.

That being established, on 13 December 2022, AGCM informed Acea Energia of the start of a proceeding, giving the Company 20 days to file written memos and documents (a deadline reduced to 7 days with reference to memos and documents relative to the adoption of provisional suspension measures for the commercial practices, pursuant to article 8, paragraph 3 of the Regulation).

Additionally, to acquire further information useful for assessing the stated commercial practice, AGCM asked Acea Energia to provide, within 20 days of the receipt of the cited communication, additional information regarding communications of unilateral changes/renewals carried out by the Company.

On the same date the Authority also served notice of an interim measure on the Company. In view of the serious irreparable harm resulting from the implementation of that decision, the Company promptly appealed to the Regional Administrative Court of Lazio, in a notice filed on 15 December 2022. As a consequence of the new case law and legislative changes made in this area, on 30 December 2022 AGCM adopted a second precautionary measure in relation to Acea Energia, partially revoking the measure imposed on 12 December 2022.

In the order made on 8398 of 17 May 2023, the Regional Administrative Court of Lazio set aside the interim measures made by AGCM in the case numbered PS12458. The proceeding is still in the investigation stage and, while awaiting the judgement from the Lazio Regional Administrative Court, documents and information continue to be exchanged between Acea Energia and AGCM. The AGCM may appeal the Lazio Regional Administrative Court judgement by 8 September 2023.

Appeals relative to Excess Profits - Acea Ambiente S.r.l., Acea Produzione S.p.A., Acea Energia S.p.A. and Acea Solar S.r.l.

1. Temporary solidarity contribution for 2022 (Article 37 of Decree Law 21/2022, 21 March 2022)

With reference to the contribution in question, based on the assumption that a significant part of the taxable base identified for the companies of the Acea Group cannot be seen as excess profits intended to be taxed by lawmakers, but rather to extraordinary operations, Acea Ambiente S.r.l., Acea Produzione S.p.A., Acea Energia S.p.A. and Acea Solar S.r.l. filed distinct appeals with the Regional Administrative Court of Lazio, in all cases also seeing to payment of the respective advances, to cancel the implementation provision with which the Revenue Agency determined the amounts, also declarative, and the methods for paying the contribution (Director of the Revenue Agency Provision 221978/2022 of 17 June 2022).

The request made is intended to cancel the appealed provision, by returning the question of legitimacy to the Constitutional Court relative to article 37 of Decree Law 21/2022.

With decisions published on 16 and 17 November 2022, the four appeals filed by the companies of the Group, together with appeals presented by other operators outside of the Group, were declared inadmissible due to an absolute lack of jurisdiction over the appealed provision. Separate appeals were filed with the Council of State.

With reference to the appeals made by Acea Ambiente and Acea Solar, due to the changes made by the 2023 Stability Law to Article 37 of Decree Law 21/2022, which restricted the obligation to pay the extraordinary contribution solely to those cases where at least 75% of the volume of business for 2021 derived from operations in the energy sector, declarations have been filed to indicate the supervening absence of interest in the decision on the appeals made. The Council of State thus declared the appeals inadmissible for that reason.

With regard to the appeals filed by Acea Produzione and Acea Energia, in judgments dated 28 March 2023 the Council of State recognised the jurisdiction of the Administrative Court. The cases were then reinstated before the Regional Administrative Court of Lazio. At the same time, in May 2023 the Revenue Agency filed an appeal with the United Sections of the Court of Cassation, on jurisdictional grounds. Consequently, in decisions of 22 June 2023, the reinstatement proceedings were suspended by the Administrative Court in the first instance, awaiting the decision by the Supreme Court on the issue of jurisdiction.

2. Temporary solidarity contribution for 2023 (Article 1 paragraphs 115-121 of Law 197 of 29 December 2022): Acea Produzione

With reference to this contribution, on the assumption that through Article 1 paragraphs 115-119 of Law 197 of 2022 the Italian government introduced a third solidarity contribution – in addition to the one introduced in Article 37 of Decree Law 21/2022 and Article 15-bis of Decree Law 4/2022 – which in fact pursues the same aim, namely to target any extra profits earned in the year 2022 (even though the payment of this second contribution will be made in 2023), Acea Produzione appealed to the Regional Administrative Court of Lazio seeking annulment of the following decisions by the Revenue Agency: Circular No. 4/E of 23 February 2023; Resolution No. 15/E of 14 March 2023; Provision no. 55523 of 28 February 2023.

The court was asked to set aside the appealed decisions after finding that there is a conflict between Italian law and EU law and/or after referring the matter under article 267 of the TFEU, before the European Court of Justice and/or the Constitutional Court, relative to Article 1 paragraph 115-119 of Law No. 197 del 2022. The trial hearing is set for 21 November 2023.

Acea Ambiente Srl - Disputes relative to the procedure to develop the San Vittore “fourth line”

Against Lazio Region Determination G09041 of 12 July 2022, regarding the “Environmental Impact Valuation Proceeding pursuant to article 27-bis of Italian Legislative Decree 152/2006, as amended, for the “Systems and environmental adaptation for the San Vittore del Lazio waste to energy plant with creation of a fourth line”, in the Municipality of San Vittore del Lazio (prov. Frosinone), localities Valle Porchio, Proposing Entity Acea Ambiente, 5 administrative appeals have been filed, with Acea Ambiente as a counterparty. The subsequent administrative provisions issued by the Region are the Integrated Environmental Authorisation (AIA) of 26 October 2022 and the Single Regional Authorisation Provision (PAUR) of 28 October 2022.

- I. **Lamberet SpA** - Appeal to the Lazio Regional Administrative Court - Rome, served on 10 October 2022.
No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR);
- II. **Municipalities of Rocca di Evandro, Mignano Monte Lungo, San Pietro Infine and Associazione Ambientalista Fare Verde Onlus** - Appeal to the Lazio Regional Administrative Court - Latina, served on 10 October 2022.
On 27 December 2022, an appeal for additional reasons was filed, with reference to the AIA and PAUR. The appeal includes a precautionary request and the hearing for discussion of suspension was held on 22 February 2023. The precautionary request was rejected. Subsequently, the Latina Regional Administrative Court set the hearing to discuss the request for a court-appointed expert filed by the appellants for 10 May 2023. In an order of 15 May 2023, the Regional Administrative Court of Lazio dismissed both the request of the court-appointed expert witness and the plaintiffs’ application for the joining of proceedings, reserving the right to consider these requests at a later stage in the proceedings;
- III. **Municipality of Cassino** - Appeal to the Lazio Regional Administrative Court, Latina, served on 11 October 2022.
No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR);
- IV. **Siefic Calcestruzzi Srl and Siefic Spa**: Appeal to the Regional Administrative Court of Lazio (Rome), served on 13 October 2022.
On 13 January 2023, an appeal with additional reasons was served, against the AIA and the PAUR, accompanied by a precautionary request. A closed session was held on 8 February 2023. Following this, the Lazio Regional Administrative Court, Rome, ordered transfer of the files to the Court of the Regional Administrative Court of Lazio to make the decision on the exception for lack of jurisdiction raised by Acea. In an order of 14 March 2023, the Regional Administrative Court of Lazio (Latina) was declared competent. In an order of 9 June 2023, the Regional Administrative Court of Latina, in accepting the plea of late filing raised in the interests of Acea, declared the appeal unacceptable based on additional grounds, and that the main appeal was not admissible. On 16 June 2023, a notice of appeal was served with an interim application. In an order of 7 July 2023 the Council of State rejected the interim application by Siefic;
- V. **Municipality of San Vittore del Lazio** - Appeal to the Regional Administrative Court of Lazio, Latina, served on 16 October 2022. Appeals for additional reasons against the PAUR and AIA were served on 23 December 2022.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 34 a on the Provision for risks and charges).

These allocations represent the best estimate possible based on the elements available today.

Annexes

- A) List of consolidated companies
- B) Reconciliation of shareholders' equity and statutory profit – consolidated
- C) Remuneration of Directors, Statutory Auditors and Key Managers
- D) Public disbursement information pursuant to art. 1, paragraph 125, law 124/2017
- E) Segment information: statement of financial position and income statement

A) List of consolidated companies

Denominazione	Sede legale	Capitale Sociale	% Partecipazione effettiva	Quota Consolidato di Gruppo	Metodo di Consolidamento
Acque Industriali S.r.l.	Via Bellatalla, 1 - Ospedaletto (PI)	100.000	73,1%	100,0%	Integrale
Aquaser S.r.l.	Piazzale Ostiense, 2 - Roma	3.900.000	97,9%	100,0%	Integrale
Acea Ambiente S.r.l.	Piazzale Ostiense, 2 - Roma	2.224.992	100,0%	100,0%	Integrale
Orvieto Ambiente S.r.l.	Piazzale Ostiense, 2 - Roma	10.010.000	100,0%	100,0%	Integrale
A.S. Recycling S.r.l.	Piazzale Ostiense, 2 - Roma	1.000.000	90,0%	100,0%	Integrale
Berg S.p.A.	Via delle Industrie, 38 - Frosinone	844.000	60,0%	100,0%	Integrale
Cavallari S.r.l.	Via dell'Industria, 6 - Ostra (AN)	100.000	80,0%	100,0%	Integrale
Deco S.p.A.	Via Vomano, 14 - Spoltore (PE)	1.404.000	100,0%	100,0%	Integrale
Demap S.r.l.	Via Giotto, 13 - Beinasco (TO)	119.015	100,0%	100,0%	Integrale
Consorzio Servizi Ecologici del Frentano "Ecofrentano"	Strada Provinciale Pedemontana Km 10 Frazione Cerratina - Lanciano (CH)	10.329	75,0%	100,0%	Integrale
Ecologica Sangro S.p.A.	Strada Provinciale Pedemontana Km 10, Frazione Contrada - Cerratina Lanciano (CH)	100.000	100,0%	100,0%	Integrale
Ferrocarr S.r.l.	Via Vanzetti, 34 - Terni	80.000	60,0%	100,0%	Integrale
Iseco S.p.A.	Loc. Surpian n. 10 - Saint-Marcel (AO)	110.000	80,0%	100,0%	Integrale
Italmacero s.r.l.	Via dell'Artigianato, 3 - Falconara Marittima (AN)	26.000	100,0%	100,0%	Integrale
MEG S.r.l.	Via 11 Settembre n. 8 - San Giovanni Ilarione (VR)	10.000	60,0%	100,0%	Integrale
S.E.R. Plast S.r.l.	Contrada Stampalone, Cellino Attanasio (TE)	70.000	70,0%	100,0%	Integrale
Tecnoservizi S.r.l.	Via Bruno Pontecorvo, 1/B - Roma	1.000.000	70,0%	100,0%	Integrale
Acea Energia S.p.A.	Piazzale Ostiense, 2 - Roma	10.000.000	100,0%	100,0%	Integrale
Acea Energy Management S.r.l.	Piazzale Ostiense, 2 - Roma	100.000	100,0%	100,0%	Integrale
Cesap Vendita Gas S.r.l.	Via del Teatro,9 - Bastia Umbra (PG)	10.000	100,0%	100,0%	Integrale
Acea Innovation S.r.l.	Piazzale Ostiense 2 - Roma	2.000.000	100,0%	100,0%	Integrale
Umbria Energy S.p.A.	Via Bruno Capponi, 100 - Terni	1.000.000	100,0%	100,0%	Integrale
Acea International S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama	9.089.661	100,0%	100,0%	Integrale
Consorzio Agua Azul S.A.	Calle Amador Merino Reina 307 - Of. 803 Lima 27 - Perù	16.000.912	44,0%	100,0%	Integrale
Consorzio Acea	Calle Amador Merino Reina 307 - Lima - Perù	225.093	100,0%	100,0%	Integrale
Consorzio Servicio Sur	Calle Amador Merino Reyna, San Isidro	33.834	51,0%	100,0%	Integrale
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama	644.937	100,0%	100,0%	Integrale
Consorzio Acea Lima Norte	Calle Amador Merino Reina 307 - Lima - Perù	221.273	100,0%	100,0%	Integrale
Consorzio Acea Lima Sur	Calle Amador Merino Reyna 307 - Lima - Perù	75.068	100,0%	100,0%	Integrale
Agua de San Pedro S.A.	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6.457.345	60,7%	100,0%	Integrale
Acea Perù S.A.C.	Cal. Amador Merino Reyna , 307 Miraflores - Lima	177.582	100,0%	100,0%	Integrale
Consorzio ACEA - ACEA Dominicana	Av. Las Americas - Esq. Mazoneria - Ens. Ozama	67.253	100,0%	100,0%	Integrale
Adistribuzione Gas S.r.l.	Via L. Galvani, 17/A - Forlì	5.953.644	51,0%	100,0%	Integrale
Notaresco Gas S.r.l.	Via Padre Frasca - Frazione Chieti Scalo Centro Dama (CH)	100.000	55,0%	100,0%	Integrale
Acea Ato2 S.p.A.	Piazzale Ostiense, 2 - Roma	362.834.340	96,5%	100,0%	Integrale
Acea Ato5 S.p.A.	Viale Roma - Frosinone	10.330.000	98,5%	100,0%	Integrale
Acque Blu Arno Basso S.p.A.	Piazzale Ostiense, 2 - Roma	8.000.000	76,7%	100,0%	Integrale
AQUANTIA S.r.l.	Piazzale Ostiense, 2 - Roma	500.000	65,0%	100,0%	Integrale
Acea Molise S.r.l.	Piazzale Ostiense, 2 - Roma	100.000	100,0%	100,0%	Integrale
Gesesa S.p.A.	Corso Garibaldi, 8 - Benevento	534.991	57,9%	100,0%	Integrale
GORI S.p.A.	Via Trentola, 211 - Ercolano (NA)	44.999.971	37,1%	100,0%	Integrale
Sarnese Vesuviano S.r.l.	Piazzale Ostiense, 2 - Roma	100.000	99,2%	100,0%	Integrale
Acque Blu Fiorentine S.p.A.	Piazzale Ostiense, 2 - Roma	15.153.400	75,0%	100,0%	Integrale
ASM Terni	Via Bruno Capponi, 100 - Terni	84.752.541	45,3%	100,0%	Integrale
Acquedotto del Fiora S.p.A.	Via G. Mameli, 10 - Grosseto	1.730.520	40,0%	100,0%	Integrale
Agile Academy S.r.l.	Via Mameli, 10 - Grosseto	10.000	100,0%	100,0%	Integrale
Ombrone S.p.A.	Piazzale Ostiense, 2 - Roma	6.500.000	99,5%	100,0%	Integrale
Servizi Idrici Integrati SCARL	Via I Maggio, 65 - Terni	19.536.000	43,0%	100,0%	Integrale
Umbriadue Servizi Idrici S.c.a.r.l.	Via Aldo Bartocci n. 29 - Terni	100.000	99,9%	100,0%	Integrale
Areti S.p.A.	Piazzale Ostiense, 2 - Roma	345.000.000	100,0%	100,0%	Integrale
Ecogena S.r.l.	Piazzale Ostiense, 2 - Roma	1.669.457	100,0%	100,0%	Integrale
Acea Renewable S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	100,0%	Integrale
Acea Liquidation and Litigation S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	100,0%	Integrale
Fergas Solar 2 S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	100,0%	Integrale
Acea Renewable 2 S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	100,0%	Integrale
SF Island S.r.l.	Via Cantorriro, 44/C - Acquapendente (VT)	10.000	100,0%	100,0%	Integrale
Acea Solar S.r.l.	Piazzale Ostiense, 2 - Roma	1.000.000	100,0%	100,0%	Integrale
Acea Produzione S.p.A.	Piazzale Ostiense, 2 - Roma	5.000.000	100,0%	100,0%	Integrale
Acea Elabori S.p.A.	Via Vitorchiano, 165 - Roma	2.444.000	100,0%	100,0%	Integrale
Simam S.p.A.	Via Cimabue, 11/2 - Senigallia (AN)	600.000	100,0%	100,0%	Integrale
Technologies for Water Services S.p.A.	Via Ticino, 9 - Desenzano del Garda (BS)	11.164.000	100,0%	100,0%	Integrale

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11:

Denominazione	Sede legale	Capitale Sociale	% Partecipazione effettiva	Quota Consolidato di Gruppo	Metodo di Consolidamento
Area Ambiente					
Ecomed S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	50,0%	50,0%	Patrimonio Netto
Picenambiente S.p.A.	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	5.500.000	21,8%	21,8%	Patrimonio Netto
Picenambiente S.r.l.	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	505.000	100,0%	21,8%	Patrimonio Netto
Picenambiente Energia S.p.A.	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	200.000	100,0%	21,8%	Patrimonio Netto
Area Idrico					
Umbria Distribuzione Gas S.p.A.	Via Capponi, 100 - Terni	2.120.000	55,0%	55,0%	Patrimonio Netto
AQUA.IOT S.r.l.	Piazzale Ostiense, 2 - Roma	1.050.000	35,0%	35,0%	Patrimonio Netto
DropMI S.r.l.	Piazzale Ostiense, 2 - Roma	1.000.000	50,0%	50,0%	Patrimonio Netto
Acque S.p.A.	Via Garigliano, 1 - Empoli	9.953.116	45,0%	45,0%	Patrimonio Netto
Intesa Aretina S.c.a.r.l.	Via Benigno Crespi, 57 - Milano	18.112.000	35,0%	35,0%	Patrimonio Netto
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1.450.000	48,0%	48,0%	Patrimonio Netto
Nuove Acque S.p.A.	Patrignone - Località Cuculo (AR)	34.450.389	46,2%	16,2%	Patrimonio Netto
Publiacqua S.p.a.	Via Villamagna - Firenze	150.280.057	40,0%	40,0%	Patrimonio Netto
Acque Servizi S.r.l.	Via Bellatalla, 1 - Ospedaletto (PI)	400.000	100,0%	45,0%	Patrimonio Netto
Umbrac Acque S.p.A.	Via Benucci, 162 - Ponte San Giovanni (PG)	15.549.889	40,0%	40,0%	Patrimonio Netto
Green asm S.r.l.	Via dello Stabilimento, 1 - Nera Montoro (TR)	10.000	50,0%	22,6%	Patrimonio Netto
Area Generazione					
KT4 S.r.l.	Via SS Pietro e Paolo, 50 - Roma	110.000	100,0%	40,0%	Patrimonio Netto
Ambra Solare 16 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 17 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 20 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 25 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 28 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 29 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 30 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 31 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 33 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 34 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 35 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 39 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 40 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Ambra Solare 44 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Belaria S.r.l.	Via Luciano Manara, 15 - Milano	10.000	49,0%	19,6%	Patrimonio Netto
Energia S.p.A.	Via Barberini, 28 - Roma	239.520	49,9%	49,9%	Patrimonio Netto
Euroline 3 S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
Fergas Solar S.r.l.	Via Pietro Piffetti, 19 - Torino	10.000	100,0%	40,0%	Patrimonio Netto
Acea Green S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
IFV-Energy S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
JB Solar S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
M2D S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
Marmaria Solare 8 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Marmaria Solare 9 S.r.l.	Via Tevere, 41 - Roma	10.000	51,0%	51,0%	Patrimonio Netto
Marmaria Solare 10 S.r.l.	Via Tevere, 41 - Roma	8.543	51,0%	51,0%	Patrimonio Netto
Marche Solar S.r.l.	Via Achile Grandi, 39 - Concordia sulla Secchia (MO)	10.000	100,0%	40,0%	Patrimonio Netto
PF Power of Future S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
PSL S.r.l.	Via Ruilio, 18/20 - Catania	15.000	100,0%	40,0%	Patrimonio Netto
Solaria Real Estate S.r.l.	Piazzale Ostiense, 2 - Roma	176.085	100,0%	40,0%	Patrimonio Netto
Solarplant S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	100,0%	40,0%	Patrimonio Netto
Acea Sun Capital S.r.l.	Piazzale Ostiense, 2 - Roma	10.000	40,0%	40,0%	Patrimonio Netto
Trinovolt s.r.l.	Viale Tommaso Columbo, 31/D - Bari	10.000	100,0%	40,0%	Patrimonio Netto
Area Ingegneria e Servizi					
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis, 49 - Firenze	100.000	99,9%	44,5%	Patrimonio Netto

The following companies are also consolidated using the equity method:

Denominazione	Sede	Capitale Sociale (in €)	Quota di partecipazione	Quota Consolidato di Gruppo	Metodo di Consolidamento
Area Ambiente					
Amea S.p.A.	Via San Francesco d'Assisi 15C - Paliano (FR)	1.689.000	33,00%	33,00%	Patrimonio Netto
Coema	P.le Ostiense, 2 - Roma	10.000	67,00%	33,50%	Patrimonio Netto
Estero					
Aguaazul Bogotá S.A.	Calle 82 n. 19°-34 - Bogotá- Colombia	652.361	51,00%	51,00%	Patrimonio Netto
Area Idrico					
Le Soluzioni Scarl	Via Garigliano,1 - Empoli	250.678	80,84%	51,63%	Patrimonio Netto
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260.000	49,00%	49,00%	Patrimonio Netto
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 – Terni	2.120.000	15,00%	15,00%	Patrimonio Netto
Area Generazione					
Sienergia S.p.A. (in liquidazione)	Via Fratelli Cairoli, 24 - Perugia	132.000	42,08%	42,08%	Patrimonio Netto
Altro					
Marco Polo Srl (in liquidazione)	Via delle Cave Ardeatine, 40 - Roma	10.000	33,00%	33,00%	Patrimonio Netto

B) Reconciliation of shareholders' equity and statutory profit – consolidated

€ thousand	Profit/loss for the period		Shareholders' equity	
	30.06.2023	30.06.2022	30.06.2023	31.12.2022
Balances in statutory financial statements (ACEA)	248,021	250,054	1,757,165	1,690,653
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	(114,046)	(73,846)	170,606	224,262
Consolidation Goodwill	(8,936)	(9,528)	190,453	255,566
Valued at equity	12,839	16,020	180,451	170,628
Other changes	4,575	322	(45,265)	(49,840)
Balances in consolidated financial statements	142,452	183,023	2,253,409	2,291,268

C) Remuneration of Directors, Statutory Auditors and Key Managers

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				Total
	Remuneration for the office	Non-monetary Benefits	Bonuses and other incentives	Other compensation	
Board of Directors until 18/04/2023	69	7	0	615	691
Board of Directors from 18/04/2023	119	6	183	287	595
Board of Statutory Auditors	182	0	0	0	182

Key Managers

Fees due to executives with strategic responsibilities for the first half of 2023 amounted to:

- salaries and bonuses € 419 thousand;
- non-monetary benefits € 46 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

D) Public disbursement information pursuant to art. 1, paragraph 125, law 124/2017

On the basis of the rules on transparency in the system of public disbursements pursuant to art. 1, paragraph 125, law 124/2017, is declared with reference to the first semester of 2023 as follows:

- ACEA Ato5 collected € 1,159 thousand resulting from the application to the Fund in respect of the adjustment in the prices of building materials referred to in Article 1-septies, paragraph 8, of Decree Law 73 of 25 May 2021 converted with amendments by Law No. 106 of 23 July 2021;
- ACEA Ato2 collected € 2,708 thousand from the application to the Fund in respect of the adjustment in the prices of building materials referred to in Article 1-septies, paragraph 8, of Decree Law 73 of 25 May 2021 converted with amendments by Law No. 106 of 23 July 2021;
- Areti collected a contribution of € 1,452 thousand from the application to the Fund for the adjustment of the prices of building materials referred to in Article 1-septies, paragraph 8 of Decree Law 73 of 25 May 2021 converted with amendments by Law 106 of 23 July 2021;
- Gori collected €20,890 thousand in respect of grants for the building of plant, of which €14,233 thousand was from the regional government of Campania;
- MEG has accrued tax credits of €54,000, under Law 178/2020;
- Iseco has benefited from the sum of €85,000 as a tax credit, partially offsetting the costs incurred for the purchase of energy and gas;
- Gesesa collected € 61 thousand from the Campania Region as a contribution for the Development and Cohesion Plan;
- During the reference period, Serplast used the sum of €93,000 as a tax credit by way of partial set-off of the costs incurred for the purchase of energy and gas, as an energy-intensive company;
- During the period, Cavallari used the sum of € 77 thousand as a tax credit in partial set-off of the costs incurred for the purchase of energy and gas, as an energy-intensive company;
- During the period, Demap used the sum of €72,000 as a tax credit, partially offsetting the costs incurred for the purchase of energy and gas.

E) Segment information: statement of financial position and income statement

Please note the following for a better understanding of the breakdown provided in this section:

Environment, responsible from an organisational point of view, for ACEA Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocart, Cavallari, Deco, Meg, SERPlast, AS Recycling, Tecnoservizi, Italmacero and Orvieto Ambiente;

Responsible **Sales and Trading**, from an organisational point of view, of the companies ACEA Energia, Aema, Umbria Energy, ACEA Innovation and Cesap Vendita Gas;

Abroad responsible, from an organisational point of view, for the activities carried out abroad;

Responsible **water**, from an organisational point of view, for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for the gas distribution companies operating in Abruzzo;

Generation refers to ACEA Produzione, Ecogena, ACEA Liquidation and Litigation, ACEA Sun Capital, ACEA Solar and all the Photovoltaic companies;

Energy infrastructure refers to areti and public lighting;

Engineering and Services responsible, from the organizational point of view, of ACEA Elabori, TWS, Ingegnerie Toscane and Simam.

It should be noted that the comparative figures have been reclassified for insignificant amounts for the sake of clarity.

Balance Sheet Assets 31/12/2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Capex	46,226	49,556	5,803	610,966	30,257	267,244	1,554	0	268,797	5,802	32,690	0	1,050,097
Total property, plant and equipment	340,749	4,472	35,764	159,297	224,324	2,255,804	10,275	0	2,266,079	10,607	106,326	(1,111)	3,146,506
Total intangible fixed assets	188,865	207,953	35,223	3,936,643	37,855	114,051	0	0	114,051	25,252	61,462	(370,764)	4,236,541
Subsidiaries													348,885
Financial Assets in Shares													3,007
Total Non-financial Assets													803,389
Total Financial Assets													22,108
Inventories	11,405	4,911	2,141	21,999	1,447	41,092	0	0	41,092	39,246	0	(17,734)	104,507
Receivables from customers	105,234	539,115	11,113	487,925	40,271	145,313	802	0	146,115	47,236	1,310	(162,183)	1,216,135
Receivables from Parent Company	359	17,844	0	28,835	412	4,193	57	0	4,250	224	(36)	(14,235)	37,652
Receivables from Associates	15	(138)	0	3,031	291	0	0	0	0	48	147,823	(137,412)	13,658
Other current receivables and assets													485,076
Total Financial Assets													342,085
Total Cash and cash equivalents													559,908
Non-current assets held for sale													19,076
Total Assets													11,338,533

Balance Sheet Liabilities 31/12/2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Trade payables to third parties	86,755	700,589	4,519	826,813	26,973	161,298	11,429	0	172,727	28,652	131,454	(175,905)	1,802,577
Trade payables to Parent Company	7,649	26,152	67	91,147	3,921	30,509	0	0	30,509	3,412	182	(122,726)	40,313
Trade payables to subsidiaries and associates	0	0	167	8,934	4,565	0	10,848	0	10,848	31	3,486	(20,941)	7,090
Other current trade liabilities													659,068
Other current financial liabilities													619,418
Employee severance indemnity and other defined benefit plans	11,271	3,889	545	35,409	2,002	33,147	0	0	33,147	4,836	21,901	0	112,989
Other provisions	73,072	12,528	126	56,803	26,059	28,656	0	0	28,656	2,274	(4,766)	23,275	218,025
Other non-current trade liabilities													399,628
Other non-current financial liabilities													4,722,263
Liabilities closely associated with assets held for sale													1,919
Shareholders' Equity													2,755,243
Total liabilities and shareholders' equity													11,338,533

Income Statement 30/06/2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	171,880	1,340,710	44,016	664,048	90,605	280,156	24,212	0	304,368	57,152	70,170	(395,285)	2,347,664
Staff costs	19,611	13,099	12,346	57,759	3,171	12,178	2,132	0	14,310	16,018	32,721	(16,348)	152,687
Costs of materials and overhead	93,990	1,289,175	16,257	266,746	36,945	86,458	22,495	0	108,953	36,681	58,702	(378,937)	1,528,511
Net Income/(Expense) from commodity risk management	0	0	0	0	0	0	0	0	0	0	0	0	0
Valuation of companies using the equity method	0	0	0	14,156	1,507	0	0	0	0	357	0	0	16,020
EBITDA	58,280	38,435	15,413	353,699	51,997	181,521	(416)	0	181,105	4,810	(21,253)	0	682,487
Depreciation/amortisation and impairment losses	19,880	31,778	6,454	180,592	8,996	66,282	979	0	67,261	4,280	14,942	0	334,183
Operating profit/(loss)	38,400	6,657	8,960	173,107	43,000	115,239	(1,394)	0	113,844	530	(36,195)	0	348,304
Financial (costs)/income													(43,729)
(Expenses)/Income from Equity Investments	13	0	15	4	19,232	0	0	0	0	0	(142)	0	19,122
Profit/(loss) before tax													323,697
Taxes													125,655
Net profit/(loss)													198,041

Balance Sheet Assets 30/06/2023

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Capex	18,323	23,652	1,654	337,466	25,272	128,160	604	0	128,765	2,299	10,251	0	547,682
Total property, plant and equipment	345,322	5,441	33,850	158,768	239,683	2,313,475	9,797	0	2,323,272	10,541	106,487	(1,111)	3,222,253
Total intangible fixed assets	183,302	209,555	34,387	4,102,185	38,120	113,940	0	0	113,940	32,747	74,797	(370,156)	4,418,877
Subsidiaries													359,716
Financial Assets in Shares													3,020
Total Non-financial Assets													860,760
Total Financial Assets													18,654
Inventories	13,541	15,479	2,318	23,067	1,042	45,649	0	0	45,649	43,501	0	(20,793)	123,805
Receivables from customers	116,122	353,981	12,806	575,029	33,063	174,927	730	0	175,656	43,491	592	(157,969)	1,152,771
Receivables from Parent Company	510	14,134	0	38,398	509	10,529	57	0	10,587	163	(30)	(17,166)	47,106
Receivables from Associates	41	(136)	0	3,464	1,432	0	0	0	0	33	117,711	(103,288)	19,257
Other current receivables and assets													537,697
Total Financial Assets													729,592
Total Cash and cash equivalents													277,699
Non-current assets held for sale													20,823
Total Assets													11,792,033

Balance Sheet Liabilities 30/06/2023

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Trade payables to third parties	79,858	603,900	4,557	840,361	27,173	128,924	9,115	0	138,039	22,032	99,294	(160,413)	1,654,801
Trade payables to Parent Company	7,115	16,948	103	69,112	3,757	19,273	0	0	19,273	2,788	182	(94,240)	25,038
Trade payables to subsidiaries and associates	1	8	172	12,623	3,333	0	14,539	0	14,539	0	3,693	(27,609)	6,760
Other current trade liabilities													712,682
Other current financial liabilities													405,885
Employee severance indemnity and other defined benefit plans	11,755	3,818	579	33,965	1,818	31,096	0	0	31,096	4,574	22,679	0	110,273
Other provisions	80,684	20,556	97	80,641	29,691	52,451	0	0	52,451	2,229	14,750	23,275	304,375
Other non-current trade liabilities													440,899
Other non-current financial liabilities													5,399,686
Liabilities closely associated with assets held for sale													2,495
Shareholders' Equity													2,729,138
Total liabilities and shareholders' equity													11,792,033

Income Statement 30/06/2023

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation	Areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	166,929	1,232,305	49,220	715,501	73,917	286,024	28,316	0	314,340	60,914	69,243	(386,199)	2,296,170
Staff costs	22,409	14,641	13,652	71,185	3,363	10,936	2,426	0	13,361	14,893	34,173	(12,890)	174,787
Costs of materials and overhead	102,096	1,162,164	16,934	303,814	39,825	90,012	24,812	0	114,823	43,550	54,105	(373,309)	1,464,003
Net Income/(Expense) from commodity risk management	0	0	0	0	0	0	0	0	0	0	0	0	0
Valuation of companies using the equity method	0	0	0	12,753	88	0	0	0	0	160	0	0	13,002
EBITDA	42,424	55,499	18,634	353,255	30,817	185,077	1,079	0	186,155	2,631	(19,035)	0	670,381
Depreciation/amortisation and impairment losses	27,551	34,076	7,961	200,322	10,022	71,142	1,082	0	72,224	3,575	14,621	0	370,352
Operating profit/(loss)	14,873	21,423	10,673	152,933	20,795	113,935	(4)	0	113,931	(943)	(33,656)	0	300,029
Financial (costs)/income													(67,389)
(Expenses)/Income from Equity Investments	0	0	93	61	799	0	0	0	0	0	(230)	0	723
Profit/(loss) before tax													233,363
Taxes													71,215
Net profit/(loss)													162,148