



FORM AND STRUCTURE

GENERAL INFORMATION

The Consolidated Financial Statements at 31 December 2021 of the Acea Group were approved by Board of Directors' resolution on 14 March 2022, which also authorised their publication. The Parent Company Acea is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the Report on Operations.

COMPLIANCE WITH IAS/IFRS

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

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

BASIS OF PRESENTATION

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

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

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

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria

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

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

- for the Acea Group, the EBITDA is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS10 and 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 original estimates and assumptions are periodically reviewed and the impact of each change is 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.

RISKS CONNECTED TO THE CORONAVIRUS (COVID-19) EMERGENCY

Please see the Report on Operations for a description on the main impacts the Covid-19 emergency had on the Group's activities. Note that at present these impacts have not had significant effects on the income statement, nor has it created uncertainties that would reflect negatively on the presumption of the business as a going concern.

Finally, in the "Impairment Test" section below, the execution of the impairment test pursuant to IAS 36 is outlined, done so to take into

account the global pandemic, which did not indicate a need to carry out any write-downs on the carrying values of tangible and intangible assets.

Relative to the recoverability of receivables, no particular risks were identified. From the analysis done with regards to IFRS9, no need was identified to carry out additional write-downs on the carrying values of receivables due to Covid-19.

APPLICATION OF THE IFRS5 STANDARD

In line with the 2020-2024 business plan, after authorisation from the Board of Directors on 23 December 2021 an agreement was signed for the sale of the majority stake in the company that will hold the photovoltaic plants held through Acea (Acea Sun Capital), a company currently fully consolidated. The investor was identified through a competitive process in which nine funds presented Non Binding Offers ("NBOs") and seven were admitted to the subsequent stage. The offers were the subject of careful selection which led the Board of Directors, at its meeting on 10 November 2021, to identify the offer of the British infrastructural fund investor Equitix Investment Management Ltd ("Equitix") as the one overall most in line with the Group's expectations.

The project will be carried out through the incorporation of a Newco ("HoldCo") — in partnership between Acea Produzione and the Investor which will hold the majority of the capital, 60% — which will acquire 100% of the shares of Acea Sun Capital from Acea Produzione. The sale of the shares of Acea Sun Capital to HoldCo and of the payable of the same to Acea Produzione will take place at an enterprise value of approximately € 220.3 million (referred to 100% of the portfolio of plants).

The operation involves two stages, the first and most important involves the sale of plants for a total of 105.0 MW of which 46.2 MW incentivised in the energy account, while the second which will take place during the next year will involve the plants at the moment not yet connected.

In the present Consolidated Financial Statements, in accordance with the provisions of IFRS5, these assets and the liabilities directly related to them represent a Disposal Group and therefore were measured and presented in the 2021 balance sheet, according to the provisions of the Standard. In fact:

- the assets and liabilities referable to the disposal group were reclassified among Assets and Liabilities held for sale; in keeping with the rules of IFRS5; the specific presentation is not applied to the financial balances at 31 December 2020;
- in the income statement the balances were not reclassified in the item *Net profit/(loss) from Discontinued Operations* but presented in continuity with the previous year because it was considered that the disposal group did not represent either a "major line of business" or a "geographical area of operations";
- in the cash flow statement of cash and cash equivalents, the cash flows generated by the perimeter involved in the operation were reclassified to specific dedicated items.

For more information on the application of the IFRS5 standard and the related effects on the present Consolidated Financial Statements please see the note "Information on IFRS5".

CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

CONSOLIDATION POLICIES

Subsidiaries

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

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

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

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

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

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses

control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

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

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

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

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

Business combinations

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

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under

IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.

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

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

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

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

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

Business combinations involving solely entities under common control

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

accounting treatment makes reference to that proposed by Assirevi in its Preliminary Guidelines on IFRS (OPI no. 1 Revised) — “Accounting treatment of business combinations of entities under common control in annual and consolidated financial statements”, issued in October 2016.

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 procedure for assets and liabilities held for sale (IFRS5)

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

Consolidation of foreign companies

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

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

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

SCOPE OF CONSOLIDATION

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

A) CHANGES IN THE SCOPE OF CONSOLIDATION

Compared to 31 December 2020 the following changes occurred in the consolidation scope:

- on 22 April 2021, the deed of merger by incorporation of the company BioEcologia into the company Acea Ambiente was signed. As a result of the merger, the share capital will not change and the by-laws will be amended. The full effects of the merger run from the date on which the final registrations required by art. 2504 of the Italian Civil Code take place;
- on 24 March 2021, an additional 35% stake was acquired in

the company Solaria Real Estate, bringing the shareholding to 100%;

- on 25 March 2021, Crea SpA, placed in liquidation on 8 June 2011, was removed from the Companies Register;
- on 19 May 2021, Acea Sun Capital acquired 100% of the shares of the photovoltaic company JB Solar which has two photovoltaic systems located in the province of Lecce, respectively with power of 891 kWp and 521 kWp, for total installed power of 1.4 MW;
- on 28 May 2021 Acea Renewable and Acea Green were incorporated by Acea Produzione;
- on 15 July 2021 Acea Sun Capital acquired 100% of the company Solarplant, owner of a ground-mounted photovoltaic plant with installed power of 0.99 MWp, located in Collesalveti (LI) and incentivised under the terms of the Second Energy Account;
- on 28 July 2021 Acea Sun Capital acquired 100% of the company PSL to which was contributed the business unit made up of a photovoltaic plant, located in the municipality of Belpasso (CT), with power of 0.99 MWp;
- on 3 August 2021 Acea Sun Capital acquired 100% of the company M2D owner of a ground-mounted photovoltaic plant located in the municipality of Leini (TO), with power of 0.994 MWp;

- on 14 October 2021 Acea Ambiente acquired 60% of Meg, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants;
- on 30 November 2021 Acea Ambiente acquired 65% of DECO, a waste management company whose activities also include the construction and operation of relevant plants. The company also holds a 21.8% investment in Picena Ambiente and owns 100% of Ecologica Sangro, a company active in the integrated management of solid urban waste in the Frentano and Sangro Aventino district area. The company itself holds a 75% stake in the Ecofrentano consortium;
- on 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

We can note that the merger by incorporation of the companies Brindisi Solar, Acquaviva, Compagnia Solare 2, Compagnia Solare 3 and SPES into the company Solaria Real Estate was carried out on 27 July 2020, while the merger by incorporation of the companies Luna Energia, Sisine Energia, Urbe Cerig, Urbe Solar and Bersolar into the company KT4 was carried out on 26 October 2020. Both mergers have accounting and fiscal effects backdated to 1 January 2020. The installed power with reference to the secondary photovoltaic system is 52 MW.

Lastly, with reference to the 2020 financial year, it should be noted that:

- the acquisition by Acea Sun Capital of the photovoltaic companies Euroline3 on 7 May 2020, Energia on 7 May 2020, IFV Energy and PF Power of Future on 4 June 2020 and lastly Belaria on 23 July 2020;
- the 100% consolidation of the company Fergas Solar, acquired by Acea Solar on 15 April 2020, operating in the field of the development and construction of photovoltaic plants;
- the full consolidation of the companies acquired on 22 April 2020 by Acea Ambiente: 60% of the companies Ferrocarr, Cavallari and Multigreen (the latter then merged into Cavallari as of 1 January 2021); the companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal;
- the consolidation of SIMAM (Servizi Industriali Manageriali Ambientali) on 7 May 2020; the company is a leader in the design, construction and management of water and waste treatment plants, in environmental works and reclamation, with integrated solutions featuring high technological content;
- the consolidation of 100% of the company Electric Drive Italia, acquired by Acea Innovation on 19 May 2020 to promote the development of electric mobility through advanced IT solutions. It should be noted that the company was merged by incorporation into the parent company Acea Innovation as of 1 January 2021;
- the line by line consolidation of 51% of Alto Sangro Distribuzione Gas, acquired on 31 August 2020, a company operating in the gas distribution sector, and its subsidiary Notaresco. We can note that, on 3 August 2021, Pescara Distribuzione Gas was merged by incorporation into Alto Sangro, which at the same time changed its name to AdistribuzioneGas. The merger has accounting and tax effects backdated to 1 January 2021;
- the consolidation of Servizio Idrico Integrato (hereafter SII) after an amendment to the governance structure and the acquisition on 16 November 2020 of an additional 15% stake, thereby arriving at a total stake of 40%;
- the establishment on 15 December 2020 of the Consorzio Acea and the Consorzio Acea Lima Norte held by Acea Perù (99%) and Acea Ato2 (1%), the first signed a three-year contract for the management of pumping stations for drinking water in Lima, the second signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima.

B) UNCONSOLIDATED EQUITY INVESTMENTS

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

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

CURRENCY CONVERSION

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

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

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

REVENUE RECOGNITION

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

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

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

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

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

CONTRIBUTIONS

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

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

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

CONSTRUCTION CONTRACTS IN PROGRESS

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

EMPLOYEE BENEFITS

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

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

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

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

FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate

(rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the financial statements.

DIVIDENDS

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

COSTS RELATED TO BORROWING

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

TAXES

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

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

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

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

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

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

TANGIBLE ASSETS

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

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

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

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

REAL ESTATE INVESTMENTS

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

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

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

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

INTANGIBLE ASSETS

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

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

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

Goodwill

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

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

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

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

Concessions

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

Also included in this entry:

- the net value of the goodwill deriving from the transfer of the sewerage service effected with effect from 1 September 2002 from Roma Capitale to Acea Ato2;
- the higher cost, for the portion attributable to this item, deriving from the acquisition of the ARIA with particular reference to SAO, the company that manages the Orvieto landfill, now merged into Acea Ambiente.

Infrastructure law

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

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

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

Rights of use of intellectual property

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

Right of use

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

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

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

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

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

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

IMPAIRMENT

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

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

Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses. The determination of the “VIU” is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.

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

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

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

EMISSION ALLOWANCES, GREEN CERTIFICATES AND WHITE CERTIFICATES

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

Surplus allowances or certificates held for own use, which are in excess of the company’s requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value.

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

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

Allowances or certificates held for trading in the “Trading Portfolio” are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends.

Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period, or otherwise on the basis of market prices.

INVENTORIES

Warehouse stock is valued as the difference between costs and net value of earnings. Costs include direct materials and, where applicable, direct labour, general production expenses and other costs sustained to bring the stock to its current conditions and location. Cost is calculated using the moving weighted average method. The net value of earnings is estimated sales price minus estimated costs for completion and estimated costs necessary to execute the sale.

Devaluations of warehouse stock, according to its nature, are made through allocation funds, written in the balance sheet reducing assets entries, i.e. item by item, offsetting variations of leftover stock in the Income Statement.

FINANCIAL INSTRUMENTS

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

Financial assets - debt instruments

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereafter, also OCI), (iii) financial assets measured at fair value through profit and loss.

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

Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called “hold to collect” model). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value.

Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition. Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related provision for bad debts.

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

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

A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the income statement (hereinafter FVTPL). This category includes financial assets held for trading purposes. When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement.

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

Write-downs of financial assets

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

In particular, expected losses are generally determined based on the product of: (i) the exposure owed to the counterparty net of the relative mitigating factors (so-called “Exposure at Default”); (ii) the probability that the counterparty does not comply with its payment

obligation (“Probability of Default”); (iii) the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default (“Loss Given Default”), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.).

In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment – is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets.

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

Financial assets related to agreements for services under concession

With reference to the application of IFRIC 12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive cash flows. In addition, the Group reports revenues on the contract for construction and improvement services, both for the part carried out internally by the Group and for the part of Third Parties. The margin recorded is accounted for according to the provisions of IFRS15 and amortised over the residual duration of the concession.

Cash and cash equivalents

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

FINANCIAL LIABILITIES

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

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

Offsetting of financial assets and liabilities

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

Derivative financial instruments and hedge accounting

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

As part of the risk management strategy and objectives, qualification of transactions as hedges requires: (i) verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge.

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

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

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

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

Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: (i) meets the definition of a derivative; (ii) as a whole it is not valued at fair value with the effects being charged to the income statement (FVT-PL); (iii) if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued

separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

Valuation at fair value

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

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

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

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

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

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation.

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

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

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

NON-CURRENT ASSETS DESTINED FOR SALE

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

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

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

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

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

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2021

Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9

On 25 June 2020, the IASB published an extension of the temporary exemption on application of IFRS 9, bringing the date to 1 January 2023, offering the possibility of aligning measurement criteria for financial instruments to the new accounting standard IFRS 17 to measure and recognise insurance contracts.

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

Issued in August 2020, these supplement the previous amendments issued in 2019 (Interest Rate Benchmark Reform – Phase 1) and address issues that could impact the financial reporting after a reference benchmark has been reformed or replaced with an alternative reference rate due to the reform. The objectives of the Phase 2 amendments are to assist companies in applying the IFRSs when changes are made to the contractual cash flows or to the hedging relationships owing to the reform of the benchmark indices for determining the interest rates and in providing useful information to users of the financial statements. The amendments will require companies to provide additional information on their exposure to

the risks deriving from the Reform of Benchmarks for determining the interest rates on the related risk management activities.

Amendments to IFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

Issued on 31 March 2021, it widens a practical expedient already issued in May 2020 (“Amendments to IFRS 16 Leases Covid-19 – Related Rent Concessions”) aimed at allowing the possibility for the lessee not to consider as amendments to the lease any concessions recognised as a result of Covid-19 (e.g. suspension of rent payments). The lessee may therefore exempt itself from revising numerous contracts and need not redefine the respective lease liabilities by means of a new discount rate since it can treat such changes in a manner that does not involve a lease modification. This expedient increases the period of admissibility for the application of the same by 12 months from 30 June 2021 to 30 June 2022 and will be applicable to lessees and not to lessors.

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

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

IFRS17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 “Insurance Contracts” which defines the accounting of insurance contracts issued and re-insurance contracts held. The provisions of IFRS 17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS 4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date

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 on or after 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

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

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

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

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.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS9 - Comparative Information

Issued on 9 December 2021, this makes it possible to facilitate better comparability of the data in relation to information on financial instruments measured according to IFRS17. The applicability of the latter requires, on First Time Application, the activity of “restating” the comparative data in order to guarantee the uniformity of the financial disclosure. The standard IFRS9 instead allows but does not require the restatement of the comparative data, precluding however the possibility of applying the measurement criterion to financial assets derecognised in the previous period. This option guarantees, therefore, the possibility of eliminating temporary accounting misalignments in measuring financial assets and liabilities deriving from insurance contracts. It also contributes to improving the usefulness of the comparative information for users of the financial statements. The amendments are applicable from the financial years beginning 1 January 2023.

Amendment to IFRS3 Business Combinations

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

Amendment to IAS 16 Property, Plant and Equipment

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

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Issued on 14 May 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss.

Annual Improvements 2018-2020

Issued on 14 May 2020, it includes amendments to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, where a subsidiary that applies paragraph D16 of IFRS 1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the parent company;
- IFRS 9 Financial Instruments, which provides clarification on which fees to include in the ten per cent test in section B3.3.6

when assessing whether to eliminate a financial liability;

- IAS 41 Agriculture, where, in order to ensure consistency with the requirements of IFRS 13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted;
- the Illustrative Examples accompanying IFRS 16 Leases, eliminating Illustrative Example 13 in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

Amendments will be applicable from the financial years beginning 1 January 2022.

CONSOLIDATED INCOME STATEMENT

Ref. note	€ thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
1	Revenue from sales and services	3,816,013		3,205,002		611,010
2	Other revenue and proceeds	156,032		173,900		(17,868)
	Consolidated net revenue	3,972,044	101,556	3,378,902	103,822	593,142
3	Personnel costs	275,819		267,651		8,168
4	Costs of materials and overhead	2,461,198		1,986,437		474,761
	Consolidated operating costs	2,737,018	52,416	2,254,088	53,743	482,930
5	Net income/(expense) from commodity risk management			330		(330)
6	Profit/(loss) from non-financial equity investments	21,048		30,319		(9,271)
	EBITDA	1,256,075	49,140	1,155,463	50,079	100,612
7	Net write-downs (write-backs) of trade receivables	86,207		79,442		6,765
8	Depreciation, amortisation and provisions	588,768		541,042		47,726
	Operating profit/(loss)	581,101	49,140	534,980	50,079	46,120
9	Financial income	11,491	7,142	10,046	1,910	1,445
10	Financial charges	(97,388)	12	(98,064)	0	675
11	Profit/(Loss) on equity investments	7,798		14,243		(6,445)
	Profit/(loss) before tax	503,002	56,293	461,205	51,989	41,796
12	Income tax	150,662		134,648		16,014
	Net profit/(loss)	352,340	56,293	326,558	51,989	25,782
	Net profit/(loss) from discontinued operations					
	Net profit/(loss)	352,340	56,293	326,558	51,989	25,782
	Profit/(loss) due to third parties	39,030		41,609		(2,579)
	Net profit/(loss) attributable to the Group	313,309		284,948		28,361
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	Base	1.47118		1.33801		0.13317
	Diluted	1.47118		1.33801		0.13317
	Profit (loss) per share attributable to the shareholders of the Parent Company net of treasury shares					
	Base	1.47406		1.34063		0.13343
	Diluted	1.47406		1.34063		0.13343

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	31/12/2021	31/12/2020	Change
Net profit/(loss) for the period	352,340	326,558	25,782
Gains/losses from the conversion of financial statements in foreign currency	2,124	(5,983)	8,106
Provision for exchange rate difference	5,715	5,740	(25)
Tax on exchange rate difference	(1,372)	(1,378)	6
Gains/losses from exchange rate difference	4,344	4,363	(19)
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	30,157	2,637	27,521
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(8,297)	(1,059)	(7,238)
Profit/(loss) from the effective portion on hedging instruments, net of tax	21,861	1,578	20,283
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	4,666	(4,920)	9,586
Tax effect on the other actuarial profit/(loss) on staff benefits	(1,358)	1,416	(2,774)
Actuarial profit/(loss) on defined benefit pension plans, net of tax	3,309	(3,504)	6,812
Total of the comprehensive income components, net of tax	31,637	(3,546)	35,182
Total comprehensive profit/(loss)	383,976	323,012	60,964
Total comprehensive income (loss) attributable to:			
Group	342,865	282,446	60,419
Third parties	41,111	40,566	545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS € thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
14	Fixed assets	2,938,530		2,786,645		151,885
15	Real estate investments	2,314		2,372		(58)
16	Goodwill	251,477		223,713		27,765
17	Concessions and rights on infrastructure	3,048,190		2,835,766		212,424
18	Intangible fixed assets	411,607		313,232		98,375
19	Copyright	53,096		73,660		(20,565)
20	Equity investments in unconsolidated subsidiaries and associates	292,239		276,362		15,877
21	Other equity investments	2,980		3,100		(120)
22	Deferred tax assets	202,606		235,012		(32,407)
23	Financial assets	22,549	8,319	38,781	21,156	(16,233)
24	Other assets	576,065		522,360		53,706
	NON-CURRENT ASSETS	7,801,652	8,319	7,311,004	21,156	490,648
25.a	Inventories	86,406		91,973		(5,567)
25.b	Trade receivables	1,071,644	51,601	981,509	72,080	90,135
25.c	Other current assets	387,813		257,442		130,370
25.d	Current tax assets	24,183		9,618		14,565
25.e	Current financial assets	407,944	113,981	379,859	143,097	28,085
25.f	Cash and cash equivalents	680,820		642,209		38,611
25	CURRENT ASSETS	2,658,809	165,582	2,362,610	215,177	296,199
26	Non-current assets destined for sale	168,425		0		168,425
	TOTAL ASSETS	10,628,886	173,901	9,673,614	236,333	955,272

Ref. note	LIABILITIES € thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
	Shareholders' Equity					
	Share capital	1,098,899		1,098,899		0
	Legal reserve	138,649		129,761		8,888
	Other reserves	(123,433)		(224,509)		101,077
	Retained earnings/(losses)	696,547		675,731		20,816
	Profit (loss) for the year	313,309		284,948		28,361
	Total shareholders' equity for the Group	2,123,971		1,964,829		159,142
	Third parties Shareholders' Equity	392,449		358,429		34,020
27	Total shareholders' equity	2,516,420		2,323,258		193,162
28	Staff termination benefits and other defined benefit plans	120,150		122,047		(1,897)
29	Provision for liabilities and charges	193,318		156,951		36,368
30	Borrowings and financial liabilities	4,791,979		4,154,251		637,729
31	Other non-current liabilities	409,064		405,799		3,265
	NON-CURRENT LIABILITIES	5,514,512		4,839,048		675,464
32.a	Borrowings	285,222	120,137	419,822	133,714	(134,601)
32.b	Payables to suppliers	1,706,363	51,965	1,627,119	77,230	79,244
32.c	Tax payables	18,962		40,217		(21,255)
32.d	Other current liabilities	540,005		424,150		115,856
32.e	CURRENT LIABILITIES	2,550,553	172,102	2,511,308	210,944	39,245
33	Liabilities closely associated with assets held for sale	47,402		0		47,402
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,628,886	172,102	9,673,614	210,944	955,272

CONSOLIDATED CASH FLOW STATEMENT

Ref. note	€ thousand	31/12/2021	Related parties	31/12/2020	Related parties	Change
	Cash flow from operating activities					
	Profit before tax	503,002		461,205		41,796
8	Depreciation/amortisation and impairment losses	546,626		498,257		48,369
7-8	Revaluations/Impairment charges	57,360		34,879		22,481
29	Increase/(decrease) in provisions for liabilities	(3,706)		3,362		(7,067)
28	Net change in the provision for employee benefits	(7,004)		18,737		(25,740)
	Net financial interest	85,897		88,018		(2,121)
12	Income taxes paid	(180,117)		(119,424)		(60,693)
	Cash flow generated by operating activities before changes in working capital	1,002,058	0	985,034	0	17,024
25	Increase/Decrease in receivables included in current assets	(184,891)	(20,479)	21,976	27,718	(206,866)
32	Increase/Decrease in payables included in the working capital	90,810	25,265	30,699	(34,089)	60,111
25	Increase/Decrease in inventories	7,209		(28,367)		35,576
	Change in working capital	(86,872)	4,785	24,308	(6,371)	(111,179)
	Change in other assets/liabilities during the period	(158,925)		(182,600)		23,675
	Cash flow from operations of disposal groups/assets held for sale	3,259		0		3,259
	Total cash flow from operating activities	759,521	4,785	826,742	(6,371)	(67,221)
	Cash flow from investment activities					
	Purchase/sale of tangible fixed assets	(626,507)		(572,313)		(54,195)
	Purchase/sale of intangible fixed assets	(354,759)		(334,656)		(20,103)
20-21	Equity investments	(90,048)		(103,792)		13,743
	Collections/payments deriving from other financial investments	1,340	(41,953)	(68,463)	(16,142)	69,802
	Dividends received	7,423	7,423	29,848	29,848	(22,425)
	Interest income received	14,511		14,990		(479)
	Cash flow from investments of disposal groups/assets held for sale	(3,189)		0		(3,189)
	Total cash flow from investment activities	(1,051,231)	(34,531)	(1,034,385)	13,706	(16,846)

Ref. note	€ thousand	31/12/2021	Related parties	31/12/2020	Related parties	Change
	Cash flow from financing activities					
30	Repayment of mortgages and medium/long-term borrowings	(233,995)		(487,747)		253,752
30	Provision of mortgages/other medium/long-term loans	902,500		604,900		297,600
30-32	Decrease/increase in other financial debts	(146,968)	13,577	58,832	54,098	(205,800)
	Interest expense paid	(100,752)		(102,158)		1,406
	Dividends paid	(96,743)	(96,743)	(93,212)	(93,212)	(3,531)
	Cash flow from loans of disposal groups/assets held for sale	0		0		0
	Total cash flow from financing activities	324,042	(83,166)	(19,384)	(39,114)	343,426
	Cash flow for the period	32,332	(112,911)	(227,028)	(31,779)	259,360
	Net opening balance of cash and cash equivalents	642,209		835,693		(193,484)
	Cash availability from acquisition	18,652		33,544		(14,891)
	Net closing balance of cash and cash equivalents	693,193		642,209		50,984
	Cash and cash equivalents at the end of the year disposal groups/assets held for sale	12,374		0		12,374
	Cash and cash equivalents at the end of the year continuing operations	680,820		642,209		38,611

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2021	1,098,899	129,761	453,724	282,446	1,964,829	358,429	2,323,258
Income statement profit	0	0	0	313,309	313,309	39,030	352,340
Other comprehensive income (loss)	0	0	0	29,556	29,556	2,081	31,637
Total comprehensive income (loss)	0	0	0	342,865	342,865	41,111	383,976
Allocation of result for 2020	0	8,888	273,558	(282,446)	0	0	0
Distribution of dividends	0	0	(170,038)	0	(170,038)	(13,606)	(183,645)
Change in consolidation scope	0	0	0	0	0	(9,026)	(9,026)
Other changes	0	0	(13,685)	0	(13,685)	15,541	1,856
Balance as at 31 December 2021	1,098,899	138,649	543,559	342,865	2,123,971	392,449	2,516,420

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2020	1,098,899	119,336	363,605	272,932	1,854,772	251,938	2,106,710
Income statement profit	0	0	0	284,948	284,948	41,609	326,558
Other comprehensive income (loss)	0	0	0	(2,502)	(2,502)	(1,044)	(3,546)
Total comprehensive income (loss)	0	0	0	282,446	282,446	40,566	323,012
Allocation of result for 2019	0	10,424	262,507	(272,932)	0	0	0
Distribution of dividends	0	0	(165,788)	0	(165,788)	(12,141)	(177,929)
Change in consolidation scope	0	0	0	0	0	78,093	78,093
Other changes	0	0	(6,601)	0	(6,601)	(27)	(6,628)
Balance as at 31 December 2020	1,098,899	129,761	453,724	282,446	1,964,829	358,429	2,323,258

NOTES TO THE CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET REVENUE

As at 31 December 2021 these amounted to € 3,972,044 thousand (€ 3,378,902 thousand at 31 December 2020), recording an increase of € 593,142 thousand compared to the previous year:

€ thousand	31/12/2021	31/12/2020	Change	% change
Revenue from sales and services	3,816,013	3,205,002	611,010	19.1%
Other revenue and proceeds	156,032	173,900	(17,868)	(10.3%)
Consolidated net revenue	3,972,044	3,378,902	593,142	17.6%

1. Revenue from sales and services – € 3,816,013 thousand

This item registered a total increase of € 611,010 thousand (+19.1%) compared to the previous financial year which closed

with € 3,205,002 thousand. The composition of the item is shown below.

€ thousand	31/12/2021	31/12/2020	Change	% change
Revenue from electricity sales and services	2,144,449	1,703,184	441,266	25.9%
Revenue from gas sales	151,247	107,285	43,962	41.0%
Revenue from electricity incentives	23,130	20,739	2,391	11.5%
Revenue from the Integrated Water Service	1,127,987	1,061,682	66,304	6.2%
Revenue from overseas water services	75,692	62,225	13,467	21.6%
Revenue from waste disposal and landfill operations	142,383	123,785	18,599	15.0%
Revenue from customer services	119,410	100,507	18,903	18.8%
Connection fees	25,410	25,547	(137)	(0.5%)
Revenues from sustainable development	6,303	48	6,255	n.s.
Revenue from sales and services	3,816,866	3,205,002	611,010	19.1%

Revenue from electricity sales and services

These amounted to € 2,144,449 thousand and are represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Electricity and heat generation	7,464	7,574	(110)	(39.3%)
Electricity sales	1,526,947	1,075,935	451,012	41.9%
Transport and metering of energy	602,149	610,286	(8,137)	(1.3%)
Sale of energy from waste-to-energy and Biogas	1,581	2,614	(1,033)	(39.5%)
Energy from photovoltaic plants	1,054	1,936	(881)	(45.5%)
Co-generation	5,255	4,839	416	n.s.
Revenue from electricity sales and services	2,144,449	1,703,184	441,266	25.9%

The main change regards sales of electricity (+€ 451,012 thousand) as a result, mainly, of the increase in revenue deriving from the sale of energy on the free market (+€ 320,044 thousand), of the energy management activity (+€ 88,833 thousand), of the increase

in gas revenue (+€ 44,186 thousand) and of the increase in revenue deriving from the Gradual Protection market (+€ 30,555 thousand), partially offset by a decrease in revenue deriving from sales on the protected market (-€ 14,427 thousand). The increases de-

rive mainly from higher unit prices and in part from higher quantities on the Free Market.

In fact, while sales of electricity in the Greater Protection Service recorded a reduction confirming the trend of the last few years (total sales of 1,694 GWh, down by 14.3% on an annual basis compared to the previous year), sales of electricity on the Free Market showed an increase of 29.9% compared to the previous year (total sales of 6,562 GWh).

Revenue from gas sales

These amounted to € 151,247 thousand and recorded an increase of € 43,962 thousand compared to 31 December 2020 as a result of the improvement in the Retail sector, due to an increase in customers and unit margins; the Business sector instead moved slightly in the opposite direction showing a slight reduction in the customer base compared to the previous year.

Revenue from electricity incentives

€ thousand	31/12/2021	31/12/2020	Change	% change
Acea Ato2	672,235	649,963	22,273	3.4%
Acea Ato5	77,811	75,294	2,517	3.3%
Acea Molise	5,467	5,281	187	3.5%
Gesesa	12,925	13,388	(464)	(3.5%)
GORI	208,424	201,236	7,188	3.6%
AdF	111,804	111,995	(191)	(0.2%)
Servizi Idrici Integrati	39,320	4,526	34,794	n.s.
Revenue from the Integrated Water Service	1,127,987	1,061,682	66,304	6.2%

The increase was due mainly to the change of scope in relation to the full consolidation of SII (+€ 34,794 thousand), while the remaining change is attributable mostly to Acea Ato2 (+€ 22,273 thousand) and GORI (+€ 7,188 thousand).

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with resolution no. 580/2019/R/ldr of 27 December 2019. With reference to Acea Ato2 we must specify that the recognition of revenue is in keeping with the 2020-2021 tariff arrangement approved by the Mayors' Conference of the OTA 2 in 27 November 2020 and by ARERA on 11 May 2021.

Revenue from Overseas Water Services

These revenues are equal to € 75,692 thousand and show an increase of € 13,467 thousand compared to the previous year

These revenues amounted to € 23,130 thousand and showed an increase of € 2,391 thousand compared to the previous year. The item includes revenues from green certificates of: i) Acea Produzione (€ 17,747 thousand) accrued in relation to the energy produced by incentivised plants and shows an increase compared to the previous year of € 1,104 thousand; ii) Acea Ambiente (€ 5,067 thousand) from revenue for green certificates deriving from an incentive system for renewable sources of the WTE plant in Terni.

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. Said revenue amounts in total to € 1,127,987 thousand and shows an increase of € 66,304 thousand (+6.2%) compared to the previous year (€ 1,061,682 thousand). The table below provides the breakdown of the item by company:

(€ 62,225 thousand as at 31 December 2020). The change derives from the increase recorded by Consorzio Acea (+€ 6,632 thousand) and by Consorzio Acea Lima Norte (+€ 11,346 thousand) due to the start of the three-year contracts for management of the drinking water pumping stations in Lima and for the maintenance of the water and sewer network in the Lima North zone; these increases were in part offset by the reduction recorded by Acea Perù (-€ 6,036 thousand) because in the first half of 2020 the Company, following the emergency situation affecting the territory managed, had to manage extraordinary maintenance in the Lima North zone.

Revenue from waste disposal and landfill operations

This amounted to € 142,383 thousand and increased by € 18,599 thousand compared to the previous year (€ 123,785 thousand); the item can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Revenue from waste disposal and transport	9,697	4,782	4,915	102.79%
Revenue from selection and processing	26,160	19,908	6,252	31.40%
Revenue from landfill management and transport	37,833	33,220	4,613	13.89%
Revenue from sludge recovery	18,084	16,161	1,924	11.90%
Revenue from conferment of biomasses	50,608	49,714	894	1.80%
Revenue from waste disposal and landfill operations	142,383	123,785	18,599	15.03%

The increase is due mainly to the change in the scope (+€ 16,327 thousand) following the consolidation of the Cavallari/Ferrocarril Group (+€ 10,762 thousand), Deco and Ecologica Sangro

(+€ 3,372 thousand) and Meg (+€ 2,193 thousand). The remaining increase is attributable to Acea Ambiente for € 5,740 owing mainly to the price effect.

Revenue from customer services

These amounted to € 119,410 thousand (€ 100,507 thousand at 31 December 2020) and increased by € 18,903 thousand. The changes can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Public Lighting - Rome	32,368	33,666	(1,298)	(3.9%)
Work for third parties	62,074	54,517	7,557	13.9%
Intercompany services	2,657	4,807	(2,150)	(44.7%)
Photovoltaic	143	202	(59)	(29.1%)
GLP revenue	6,251	6,258	(7)	(0.1%)
Change in inventories	15,917	1,058	14,859	n.s.
Revenue from customer services	119,410	100,507	18,903	18.8%

The increase recorded in the item inventories and in the item work for third parties is due mainly to the change in the consolidation scope, with particular reference to SIMAM (€ 11,256 thousand and +€ 8,764 thousand). These increases were only in part offset by lower revenue made in relation to the public lighting service (-€ 1,298 thousand) as a result of faults and the lack of authorisations for new constructions which had a negative effect on revenue compared to the previous year.

Connection fees

These amounted to € 25,410 thousand, recording a slight decrease of € 137 thousand compared to 31 December 2020. The item

includes revenue for capital grants of Acea Ato2 and revenue for connection contributions of areti.

Revenues from sustainable development

These amounted to € 6,303 thousand and relate mainly to revenue of Acea Innovation in relation to several E-efficiency projects; in the previous year the Company was not operational.

2. Other revenues and income – € 156,032 thousand

This item decreased by € 17,868 thousand (10.3%) compared to 31 December 2020, when the figure was € 173,900 thousand. The following table supplies the breakdown of said entry:

€ thousand	31/12/2021	31/12/2020	Change	% change
Contributions from entities for Energy Efficiency Certificates	14,007	20,907	(6,900)	(33.0%)
Non-recurring gains	51,849	81,985	(30,135)	(36.8%)
Other revenues	22,957	16,932	6,025	35.6%
Refunds for damages, penalties, collateral	10,636	5,416	5,221	96.4%
Feed-in tariff	17,751	17,229	522	3.0%
Regional grants	13,310	8,865	4,445	50.1%
Income from end users	212	604	(391)	(64.8%)
Seconded personnel	558	407	150	36.9%
Real estate income	1,625	2,005	(379)	(18.9%)
IFRIC12 margin	18,609	17,422	1,187	6.8%
Gains on asset disposals	269	172	97	56.5%
Recharged cost for company officers	707	674	33	4.9%
Premiums for continuity of service	464	0	464	n.s.
Revenue for disconnections and connections	3,077	1,284	1,793	139.6%
Other revenue and proceeds	156,032	173,900	(17,868)	(10.3%)

The reduction is attributable to the following opposite effects:

- lower contingent assets recorded by Acea Ato2 for € 28,772 thousand mainly for revenue recognised in financial year 2020 for tariff components related to 2018 and 2019 recognised, on preparing the 2020-2021 tariffs, at a higher amount than what was recorded in the respective financial statements or which were introduced ex novo by Resolution 580/2019 which regulated MTI-3, regarding in particular the additional component of the cost of sewage sludge disposal and transport;
- the increase in other revenue recorded by Acea Energia (+€ 1,808 thousand) owing mainly to an increase in the increments of claims for CMOR indemnities in the Free Market;
- higher revenue of areti for bonuses related to actions to increase the resilience of the electricity distribution service (+€ 2,186 thousand), bonuses for service continuity (+€ 454 thousand), proceeds from the sale of equipment and materials (+€ 466 thousand), revenues from various claims and EEC sales (+€ 1,130 thousand);
- higher revenue for capital grants deriving from the consolidation of SII (+€ 1,966 thousand) and from the increase recorded by Acea Ato2 (+€ 1,190 thousand) mainly for the portion related to the years 2018-2020, of the contribution aimed at countering the drinking water supply crisis in the territory of the Lazio Region paid to the Company during 2021.

CONSOLIDATED OPERATING COSTS

At 31 December 2021 operating costs amounted to € 2,737,018 thousand (€ 2,254,088 thousand at 31 December 2020), record-

ing an increase of € 482,930 thousand (+21.4 % compared to the previous year). The breakdown is as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Personnel costs	275,819	267,651	8,168	3.1%
Costs of materials and overhead	2,461,198	1,986,437	474,761	23.9%
Consolidated operating costs	2,737,018	2,254,088	482,930	21.4%

3. Personnel costs – € 275,819 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Personnel costs including capitalised costs	469,102	431,688	37,414	8.7%
Costs capitalised	(193,282)	(164,037)	(29,245)	17.8%
Personnel costs	275,819	267,651	8,168	3.1%

Personnel costs increased by € 8,168 thousand while net of the change in scope (+€ 16,534 thousand mainly due to foreign companies) they decreased by € 8,366 thousand also as a consequence of higher capitalised costs (+€ 29,245 thousand). This increase stems mainly from the efficiency of company processes to meet

the greater commitment required by the management of the service and the need to renew corporate assets.

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

Average number of employees

	31/12/2021	31/12/2020	Change	% change
Environment Business	615	619	(3)	(0.5%)
Commercial and Trading Business	427	373	54	14.4%
Overseas Business	2,238	987	1,251	126.8%
Water Business	3,475	3,292	183	5.5%
Energy Infrastructure Business	1,275	1,269	6	0.5%
Generation Business	88	84	4	5.0%
Engineering and Services Business	441	373	68	18.1%
Corporate Business	704	700	5	0.6%
Total	9,263	7,697	1,567	20.4%

End-of-period composition

	31/12/2021	31/12/2020	Change	% change
Environment Business	746	577	169	29.3%
Commercial and Trading Business	430	425	5	1.2%
Overseas Business	2,188	734	1,454	198.1%
Water Business	3,484	3,424	60	1.8%
Energy Infrastructure Business	1,264	1,280	(16)	(1.3%)
Generation Business	89	87	2	2.3%
Engineering and Services Business	444	423	21	5.0%
Corporate Business	703	700	3	0.4%
Total	9,348	7,650	1,698	22.2%

4. Costs of materials and overheads – € 2,461,198 thousand.

This item shows an overall increase of € 474,761 thousand compared to 31 December 2020.

€ thousand	31/12/2021	31/12/2020	Change	% change
Electricity, gas and fuel	1,741,401	1,350,634	390,766	28.9%
Materials	91,690	75,316	16,374	21.7%
Services and contract work	437,215	378,803	58,412	15.4%
Concession fees	67,065	64,399	2,666	4.1%
Cost of leased assets	26,424	24,321	2,103	8.6%
Other operating costs	97,403	92,963	4,440	4.8%
Costs of materials and overhead	2,461,198	1,986,437	474,761	23.9%

Electricity, gas and fuel

€ thousand	31/12/2021	31/12/2020	Change	% change
Electricity and gas purchases and transportation	1,723,784	1,328,630	395,154	29.7%
White certificates	9,291	16,618	(7,327)	(44.1%)
Green certificates and CO ₂ rights	8,326	5,387	2,939	54.6%
Electricity, gas and fuel costs	1,741,401	1,350,634	390,766	28.9%

The increase is mainly attributable to Acea Energia and is associated with higher costs for the purchase of energy on the free market (+€ 302,291 thousand), on the Gradual Protection market (+€ 29,280 thousand) and of the purchase costs on the energy management market (+€ 91,062 thousand); this change was offset in part by a decrease in costs for purchasing electricity on the protected mar-

ket (-€ 11,585 thousand) in keeping with the trend in revenue.

Materials

The cost of materials amounted to € 91,690 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	31/12/2021	31/12/2020	Change	% change
Purchase of materials	149,842	157,584	(7,742)	(4.9%)
Change in inventories	19,822	(21,156)	40,977	(193.7%)
Change in inventories	169,663	136,428	33,235	24.4%
Costs capitalised	(77,974)	(61,112)	(16,861)	27.6%
Materials	91,690	75,316	16,374	21.7%

Purchases of materials net of inventories and capitalised costs recorded an increase of € 16,374 thousand affected mostly by the change in the consolidation scope in particular regarding SIMAM

(+€ 10,521 thousand) and Consorcio Acea Lima Norte (+€ 2,487 thousand).

Services and contract work

These amounted to € 437,215 thousand and increased by a total of € 58,412 thousand (the figure was € 378,803 thousand at 31 December 2020). They can be represented as follows:

€ thousands	31/12/2021	31/12/2020	Change	% change
Technical and administrative services (including consulting and collaborations)	63,441	60,890	2,552	4.2%
Contract work	79,594	67,001	12,592	18.8%
Disposal and transport of sludge, slag, ash and waste	75,666	66,935	8,732	13.0%
Other services	67,272	53,154	14,118	26.6%
Personnel services	21,948	18,089	3,859	21.3%
Insurance costs	13,104	12,027	1,077	9.0%
Electricity, water and gas consumption	30,458	23,411	7,047	30.1%
Internal use of electricity	6,917	6,950	(33)	(0.5%)
Intragroup services and otherwise	19,788	14,607	5,181	35.5%
Telephone and data transmission costs	6,090	5,985	105	1.8%
Postal expenses	3,242	3,398	(156)	(4.6%)
Maintenance fees	14,306	17,251	(2,945)	(17.1%)
Cleaning, transport and portage costs	7,195	6,565	630	9.6%
Advertising and sponsorship costs	15,152	11,220	3,932	35.0%
Corporate bodies	3,910	3,526	384	10.9%
Meter readings	4,270	3,751	519	13.8%
Bank charges	3,202	2,896	306	10.6%
Travel and accommodation expenses	1,356	889	467	52.5%
Seconded personnel	35	42	(7)	(17.3%)
Printing expenses	270	216	54	25.0%
Costs for services	437,215	378,803	58,412	15.4%

The increase is attributable to the change in scope which accounted for € 31,717 thousand of it. The higher costs recorded deriving from Energy Efficiency (+€ 7,298 thousand) also contributed to the increase in line with what was recognised in revenue, as did costs for sponsorships (+€ 3,932 thousand) mainly due to the start of two new important “Green” and “E-mobility” communication campaigns, and to the management of the development of new social

channels and of the customer loyalty programme.

Concession fees

Concession fees totalled € 67,065 thousand (+€ 2,666 thousand compared to 31 December 2020) and referred to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	31/12/2021	31/12/2020	Change	% change
Acea Ato2	49,957	49,805	152	0.3%
Acea Ato5	3,496	3,551	(55)	(1.6%)
GORI	2,439	2,408	31	1.3%
Gesesa	380	380	0	n.s.
AdF	4,831	4,811	19	0.4%
Servizi Idrici Integrati	2,636	331	2,305	n.s.
AdistribuzioneGas	2,787	2,714	73	2.7%
Notaresco Gas	93	30	64	n.s.
Other	447	369	79	21.3%
Concession fees	67,065	64,399	2,666	4.1%

The increase refers mainly to the change deriving from the consolidation of SII (€ 2,305 thousand). 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 € 26,424 thousand and increased by € 2,103 thousand compared to the previous year (the figure was € 24,321 thousand at 31 December 2020); the increase is attributable mainly to the higher costs owing to the effects deriving from the agreements related to Cloud Licences, Software-as-a-Service, of the new CRM, which are no longer allocated among fixed assets but instead recognised among external costs, in accordance with

the interpretation of the IFRS Interpretations Committee.

We can note that, in line with IFRS16, this item contains costs relating to short-term leases and leases of modest value.

Other operating costs

These amounted to € 97,403 thousand at 31 December 2021, an increase of € 4,440 thousand. The table below provides details of this item by type:

€ thousand	31/12/2021	31/12/2020	Change	% change
Taxes and duties	13,350	13,270	80	0.6%
Damages and outlays for legal disputes	8,233	10,021	(1,788)	(17.8%)
Contributions paid and membership fees	5,586	5,547	40	0.7%
Losses on receivables	71	344	(272)	(79.3%)
General expenses	20,671	11,210	9,461	84.4%
Contingent liabilities	49,492	52,571	(3,079)	(5.9%)
Other operating costs	97,403	92,963	4,440	4.8%

The increase is mainly linked to general expenses (+€ 9,461 thousand), of which € 4,257 thousand attributable to Acea Ato2 and deriving from the supplementary water bonus in favour of so-called weak users that are in disadvantaged socio-economic conditions, as decided by the Mayors' Conference, € 1,513 thousand attributable to areti mainly for costs not recognised in previous years and for € 1,013 thousand for the write-down of the Demap storage shed following the fire that broke out on 12 December 2021.

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

€ thousand	31/12/2021	31/12/2020	Change	% change
EBITDA	123,613	126,960	(3,347)	(2.6%)
Amortisation, depreciation, impairment and provisions	(91,916)	(81,649)	(10,267)	12.6%
Financial operations	(2,472)	(3,292)	820	(24.9%)
Total profit/(loss) on equity investments	1	(4)	5	(132.3%)
Taxes	(8,177)	(11,695)	3,518	(30.1%)
Income from equity investments of a non-financial nature	21,048	30,319	(9,271)	(30.6%)

The Gross Operating Margin (or EBITDA) of these companies decreased by € 9,271 thousand owing mainly to the reduction recorded by Publiacqua and by the Acque Group deriving from higher

At 31 December 2021 the Group has no derivatives entered into to hedge trading transactions, while at 31 December 2020 the net balance was € 330 thousand and regarded entirely Acea Energia.

6. Income/(Expenses) from equity investments of a non-financial nature -€ 21,048 thousand

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

depreciation and amortisation also in consideration of the approach of the expiry of the concession. The companies' assessments are detailed below.

€ thousand	31/12/2021	31/12/2020	Change	% change
Publiacqua	4,734	10,589	(5,855)	(55.3%)
Gruppo Acque	9,422	12,580	(3,158)	(25.1%)
Umbra Acque	1,593	2,240	(646)	(28.9%)
Nuove Acque and Intesa Aretina	740	762	(22)	(2.8%)
Geal	206	810	(604)	(74.6%)
Ingegnerie Toscane	3,432	2,438	994	40.8%
Ecomed in liquidation	(14)	(7)	(6)	84.3%
Servizi Idrici Integrati	0	602	(602)	(100.0%)
Belaria/Mithra	664	(8)	672	n.s.
Energy	271	315	(44)	(13.9%)
Total	21,048	30,319	(9,271)	(30.6%)

7. Net write-downs (write-backs) of trade receivables – € 86,207 thousand

This item recorded an increase of € 6,765 thousand compared to 31 December 2020 attributable mainly to Acea Ato2 (+€ 3,684 thousand), Acea Ato5 (+€ 3,395 thousand) and GORI (+€ 3,015 thousand), offset in part by AdF (-€ 1,581 thousand) and Aguas de San Pedro (-€ 1,216 thousand).

8. Depreciation, amortisation and provisions – € 588,768 thousand

Compared to 31 December 2020, there was an increase of € 47,726 thousand.

The details are illustrated below:

€ thousand	31/12/2021	31/12/2020	Change	% change
Depreciation and amortisation	546,626	498,257	48,369	9.7%
Provisions	42,142	42,785	(643)	(1.5%)
Depreciation, amortisation and provisions	588,768	541,042	47,726	8.8%

Amortisation/depreciation of intangible and tangible assets and impairment

The € 48,369 thousand increase in depreciation, amortisation and impairment breaks down as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Depreciation	162,090	157,778	4,312	2.7%
Amortisation	380,567	336,446	44,121	13.1%
Impairment losses	3,968	4,032	(64)	(1.6%)
Depreciation and amortisation	546,626	498,257	48,369	9.7%

The increase is accounted for by the change in scope for € 19,452 thousand, while the remaining increase derives mainly from investments in the period in all areas of business, with particular reference to Acea Ato2 (+€ 20,962 million) and the Corporate (+€ 7,202 thousand). We can note instead the reduction in depreciation and amortisation recorded by Acea Ambiente (-€ 5,518 thousand) as a result of the write-downs made in 2020.

We must specify that the item related to intangible amortisation also includes the effect deriving from the application of IFRS16, which at 31 December 2020 amounted to € 28,289 thousand (+€ 22,514 thousand); this increase was mitigated by the reduction of amortisation on Licences (-€ 10,259 thousand) mainly for software in the cloud which is no longer allocated among

fixed assets but instead recognised among external costs, in accordance with the interpretation of the IFRS Interpretations Committee.

The impairment losses refer to the write-down made by Acea Ato2 in relation to decommissioned meters (€ 1,734 thousand) and to the assessment done on the presence of indicators of lasting impairment with reference to property, plant and equipment for which the execution phase has not yet begun (€ 1,576 thousand).

Provisions

As of 31 December 2021, net sums released due to surplus, appropriation reserves total € 42,142 thousand and are divided by type:

€ thousand	31/12/2021	31/12/2020	Change	% change
Legal	4,216	2,812	1,403	49.9%
Taxes	195	554	(359)	(64.8%)
Regulatory risks	5,326	5,546	(221)	(4.0%)
Contributory risks	11	22	(10)	(47.9%)
Procurement and supplies	518	1,948	(1,430)	(73.4%)
Insurance deductibles	2,498	2,829	(332)	(11.7%)
Other risks and charges	7,299	6,199	1,100	17.7%
Total provisions for risks	20,063	19,912	151	0.8%
Early retirements and redundancies	21,735	27,997	(6,262)	(22.4%)
Post mortem	(140)	29	(169)	n.s.
Charges towards others	5,400	1,772	3,628	n.s.
Total provisions	47,058	49,710	(2,652)	(5.3%)
Release of provisions	(4,916)	(6,925)	2,009	(29.0%)
Total	42,142	42,785	(643)	(1.5%)

9. Financial income – € 11,491 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Interest on financial receivables	173	352	(179)	(50.9%)
Bank interest income	62	97	(35)	(35.8%)
Interest on trade receivables	8,811	3,836	4,975	129.7%
Interest on other receivables	945	1,075	(130)	(12.1%)
Financial income from discounting to present value	324	5,426	(5,101)	(94.0%)
Financial income from measurement of fair value hedges	790	(939)	1,729	(184.1%)
Other income	386	200	186	92.9%
Financial income	11,491	10,046	1,445	14.4%

Financial income, of € 11,491 thousand, recorded an increase of € 1,445 million compared to the previous year, owing mainly to the change in fair value of the derivatives hedging AdF's loan agreement (+€ 1,722 million); we can also note the increase owing to the effects of invoicing interest on arrears to water company users (+€ 4,975 thousand), offset by the lower financial income recorded by GORI as a result of the income from

discounting recorded in 2020 as a consequence of the effects of the Framework Amendment, concluded on 23 November 2020, which provided for the postponement of the instalment agreements signed with the Campania Region in 2013 and 2018 (-€ 4,905 thousand).

10. Financial costs – € 97,388 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Costs (Income) on Interest Rate Swaps	6,006	6,246	(240)	(3.8%)
Interest on bonds	54,401	55,577	(1,176)	(2.1%)
Interest on medium/long-term borrowings	16,474	16,841	(368)	(2.2%)
Interest on short-term debt	2,695	2,115	580	27.4%
Default interest and interest on deferred payments	1,954	1,364	590	43.2%
Interest cost net of actuarial gains and losses	456	892	(436)	(48.9%)
Factoring fees	5,248	5,438	(190)	(3.5%)
Interest on payments by instalment	12	3	9	n.s.
Discounting charges	3,766	4,000	(233)	(5.8%)
IFRS 16 financial charges	2,518	2,726	(208)	(7.6%)
Other financial charges	3,236	2,994	243	8.1%
Interest payable to end users	1,003	820	183	22.4%
Foreign exchange gains (losses)	(382)	(952)	570	(59.9%)
Financial charges	97,388	98,064	(675)	(0.7%)

Financial expenses, of € 97,388 thousand, decreased by € 675 thousand compared to the previous year; the change is mainly attributable to the Parent Company. The average overall all-in cost of the Acea Group's debt at 31 December 2021 stood at 1.42% against

1.74% in 2020.

11. Income and costs from Equity Investments – € 7,798 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Income from equity investments in associates	8,393	14,268	(5,875)	(41.2%)
(Costs) of shares in related companies	(594)	(24)	(570)	n.s.
(Costs) and revenue from shares	7,798	14,243	(6,445)	(45.2%)

Revenue from equity investments refers to consolidation according to the net equity method of some Group companies primarily Agua Azul Bogotá; the write-down made (€ 594 thousand) regards SOGEA, a company currently in liquidation.

We can also note that the Business Combination related to Consorcio Agua Azul and SII was completed; this led to the accounting, according to the acquisition method, of income amounting respectively to € 2,554 thousand and € 5,283 thousand for the

revaluation of the stake previously held in line with what is provided for in the international accounting standard IFRS3. For more details please see the paragraph on "Business Combinations".

12. Income Tax – € 150,662 thousand

Estimated tax expenses for the period were € 150,662 thousand, compared to € 134,648 thousand of the previous year. The break-

down is essentially as follows:

- Current taxes: € 152,047 thousand (€ 149,309 thousand at 31 December 2020);
- Net deferred tax liabilities/(assets): € -1,385 thousand (€ -14,662 thousand at 31 December 2020).

The increase in absolute value of taxes recorded in the period is a direct result of higher pre-tax profit. The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated profit before tax.

€ thousand	2021	%	2020	%
Profit before tax from continuing and discontinued operations	503,002		461,205	
Expected tax charge at 24% on profit before tax	120,720	24.0%	110,689	24.0%
Permanent differences	(9,158)	(1.8%)	(11,279)	(2.4%)
IRES for the period	111,562	22.2%	99,410	21.6%
IRAP (regional income tax)	39,100	7.8%	35,238	7.6%
Total taxes	150,662	30.0%	134,648	29.2%

The tax rate for the financial year is 30.0% (29.2% at 31 December 2020).

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to Acea by the weighted average number of Acea shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 31 December 2021. Diluted profit per share is calculated dividing profit for the financial year attributable to Acea by the weighted

average number of Acea shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 31 December 2021 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:

€ thousand	31/12/2021	31/12/2020	Change
Net profit attributable to the Group (€/000)	313,309	284,948	28,361
Profit for the period of the Group attributable to ordinary shares (€/000) (A)	313,309	284,948	28,361
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- basic (C)	212,547,907	212,547,907	0
Earnings per share (€)			
- basic (A/B)	1.4741	1.3406	0.1334
- diluted (A/C)	1.4741	1.3406	0.1334

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At 31 December 2021 these amounted to €10,628,886 thousand (€9,673,614 thousand at 31 December 2020) recording an in-

crease of €955,272 thousand or 9.9% compared to the previous year; they can be broken down as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Non-current assets	7,801,652	7,311,004	490,648	6.7%
Current assets	2,658,809	2,362,610	296,199	12.5%
Non-current assets destined for sale	168,425	0	168,425	n.s.
Total assets	10,628,886	9,673,614	955,272	9.9%

14. Fixed assets – €2,938,530 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 80.1% of property, plant and equipment, €2,353,133 thousand.

The remaining 18.4% refers to:

- facilities belonging to the Environment Segment companies for €297,395 thousand;
- infrastructures related to the Parent Company for €102,440 thousand;

- infrastructures related to the Energy Segment for €131,806 thousand;
- infrastructure related to the Overseas Segment for €33,583 thousand;
- facilities belonging to the Engineering and Services Area for €17,261 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total property, plant and equipment
Historical cost 31/12/2020	572,969	3,551,165	961,626	187,000	93,160	9,031	5,374,950
Assets held for sale	(309)	(127,038)	(328)	(91)	(15,858)	0	(143,624)
Investments/Acquisitions	16,257	174,516	96,583	16,916	49,348	1,139	354,759
Disinvestments	(485)	(15,350)	(9,796)	(1,835)	(2,091)	0	(29,557)
Changes in consolidation scope	5,725	141,243	2,844	6,129	1,315	0	157,255
Other changes	240	(35,387)	45,105	(12,611)	(43,099)	769	(44,985)
Historical cost 31/12/2021	594,397	3,689,148	1,096,033	195,507	82,776	10,938	5,668,800
Accumulated depreciation 31/12/2020	(164,071)	(1,926,917)	(349,893)	(141,916)	0	(5,508)	(2,588,305)
Assets held for sale	0	64,099	8	14	0	0	64,121
Depreciation/amortisation and impairment losses	(12,467)	(90,594)	(48,621)	(10,394)	0	(532)	(162,608)
Disinvestments	37	2,379	7,148	317	0	0	9,881
Change in consolidation scope	(2,173)	(49,940)	(2,541)	(4,565)	0	0	(59,219)
Other changes	947	8,439	(19,476)	15,952	0	0	5,862
Accumulated depreciation 31/12/2021	(177,726)	(1,992,535)	(413,377)	(140,591)	0	(6,040)	(2,730,269)
Net value 31/12/21	416,671	1,696,613	682,656	54,916	82,776	4,898	2,938,530

Investments increased compared to last year (€ 334,656 thousand at 31 December 2020) and amounted to € 354,759 thousand. They refer mainly to those made by:

- areti for € 235,265 thousand for the renewal and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control equipment;
- Acea Ambiente for € 26,387 thousand for investments related to work done in the Orvieto plant for the construction of a compost storage building for the revamping of the treatment line and in the San Vittore and Aprilia plants and for work done at the Borgorose waste management plant and for reclamation of the Paliano site;
- Acea Produzione for € 17,049 thousand, mainly for the installation of the third motor at the Tor di Valle thermal power station, the re-qualification work on the substations of the S. Angelo, Salisano and Orte Power Stations and as well as the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome;
- Fergas Solar and Acea Solar respectively for € 10,365 thousand and € 10,373 thousand associated mainly with the construction of photovoltaic plants on both agricultural and industrial soils;
- Acea for € 14,838 thousand for investments on the offices used for business activities and the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network.

The changes in the consolidation scope increased property, plant and equipment by € 47,320 thousand and refer mainly to the acquisitions of Deco, Ecologica Sangro and AS Recycling.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets. It should be noted that the reclassification made for IFRS5 has an impact on fixed assets in the amount of € 79,503 thousand.

15. Real estate investments – € 2,314 thousand

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

16. Goodwill – € 251,477 thousand

At 31 December 2021 goodwill amounted to € 251,477 thousand (€ 223,713 thousand at 31 December 2020). The change compared to the previous year refers to the recognition of goodwill arising from the consolidation of the companies acquired during 2020 (for more information, please refer to the section on Business Combinations) part of which recognised provisionally while awaiting the completion of the process of allocating the price paid. Goodwill recognised as a result of business combinations 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 *main activity* of the companies.

€ thousand	31/12/2020	Allocation	Exchange delta	Scope change	Write-downs	IFRS5	31/12/2021
Integrated Water Service management	2,751	316	0	0	0	0	3,067
Network management	7,939	(3,524)	0	0	0	0	4,415
Sale of electricity and gas	48,414	(675)	0	0	0	0	47,740
Intercompany services	94	0	0	0	0	0	94
Renewable energy plants	94,767	(2,133)	0	959	0	(1,974)	91,618
Waste-to-energy and composting plants	11,138	0	0	0	0	0	11,138
Liquid waste treatment and sludge disposal	4,724	46,386	0	0	0	0	51,110
Overseas	5,556	(1,150)	(94)	0	0	0	4,312
Plastic and paper recycling services	30,998	(8,611)	0	0	0	0	22,387
Engineering services	17,331	(1,733)	0	0	0	0	15,597
Goodwill	223,713	28,875	(94)	959	0	(1,974)	251,477

We can note that the values allocated in relation to Liquid Waste Treatment and Sludge Disposal (€ 46,386 thousand) were allocated provisionally. Please see the paragraph on Business Combinations for more information.

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

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

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

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the trend in the prices of electricity and gas sold and purchased on the free market was developed on the basis of business considerations consistent with the energy scenario developed in the business plan, which are prudent with respect to the current context;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

Terminal value is calculated:

- for Acea Produzione (Energy Infrastructures - Generation Area) the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;

- for areti (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business.

The WACCs are substantially in line with those used for the previous impairment test, with the exception of the regulated businesses, where following the changes made in the regulatory framework a reduction in remunerations by the regulator was found (for more information please see what is described in the Report on Operations, Water Area).

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

Main activity	Recoverable value	WACC	Terminal value	Cash flow period
Integrated Water Service management	Value in use	4.8%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Network management	Value in use	5.6%	Regulatory Asset Base (RAB)	Until 2024
Sale of electricity and gas	Value in use	5.7%	Perpetuity	Until 2024
Intercompany services	Value in use	5.1%	Estimated to be equal to the NIC of the plan's last year.	Based on company budgets and projections that represent the best available and achievable estimates of the main assumptions about the company's operations with respect to the equity investments examined and the expected results attributable to them
Renewable energy plants	Value in use	5.2 %	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Waste-to-energy and composting plants	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life
Liquid waste treatment and sludge disposal	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life
Engineering and services	Value in use	4.8%	NIC at the end of the plants' useful life	End of Water Segment Facilities concession
Overseas	Value in use	6.5%/10.1%	NIC at the end of the concession	End of the concession
Plastic recycling services	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life

To support the analysis deriving from the test, sensitivity analysis was done to identify the impact on recoverable values of goodwill based on variations in specific assumptions, so as to identify the main break-even assumptions. Based on this analysis, hypotheses regarding changes in discount rates, growth rates or a reduction in profitability were found to be unrealistic and/or immaterial with the exception of the CGUs related to Demap, Acquedotto del Fiora, ADistribuzione Gas, Energia.

It seems worth noting that:

- during December 2021 Demap suffered a fire that involved the plastics store. In relation to this event, the plants related to this CGU were written down for an amount of approximately € 1.0

million (for more information please see the Report on Operations, Environment Area), while the result of the impairment test confirmed the recoverability of the CGU despite the cover being considerably reduced;

- on 20 February 2022 the plant was affected by a fire that involved a pile of waste from the selection of separate collection (identified by the code EER 19 12 12), gradually expanding then until it damaged some roofing structures. Promptly during the same day, the fire was extinguished (for more information please see the Report on Operations, Environment Area). This event, under the terms of IAS 10, originated after the reporting date and no write-down was necessary in the financial statements.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the Acea Ato5 SpA subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution no. 1 of 10 March 2021 of the Conference of Mayors of OTA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the company has succeeded in managing the financial situation highlighted in the 2020 budget, partially mitigating the financial imbalance.

In the light of what is stated above, the consolidated net assets related to the CGU Acea Ato5 were the subject of an impairment test, in methodological continuity with what was done at 31 December 2020 and 30 June 2021, that is by determining the Value in Use using the Unlevered Discounted Cash Flow ("UDCF") method which sees in the ability to produce cash flows the fundamental element for the purposes of measuring the CGU of reference. For the purpose of discounting operating cash flows, the weighted average cost of regulatory post-tax capital is calculated.

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

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of business considerations consistent with the energy scenario developed in the business plan;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

In addition, the terminal value was calculated as the present value of the RAB and of Net Working Capital on expiry of the concession. The flows, and the terminal value determined as above were finally discounted to the regulatory WACC, which is in line with that used for the previous impairment test.

Given the various variables which affect the Acea Ato5 economic financial plan, sensitivity analysis was done based on whether or not the efficiency objectives are achieved, as established in the subsidiary's new business plan, and on whether or not the economic financial rebalancing request is granted (this is based on the tariff proposal submitted by the company, but not recognised by OTAA 5). Below are the results of the sensitivity analysis, noting that the "base case" for the impairment test coincides with the upper left section of the table, which foresees 100% achievement of cost savings objectives and no benefit deriving from the actions the Company intends to undertake to obtain a tariff adjustment. This scenario was prudentially used as the base case for the impairment test considering only the elements of improvement which are under the company's control (cost savings) and not those which ultimately depend upon decisions and factors external to the company (tariff adjustment). Note that this structure does not in any way reflect an assessment of the likelihood of a tariff adjustment being recognised, which is however deemed probable in consideration of the incompatibility of the financial imbalance caused to the Operator by the new tariff structure with respect to the current legal and regulatory framework, but is only functional to the execution of the impairment test in compliance with that established under IAS 36:

Achievement of Efficiency Targets (100% = € 3.3 million at 2032)

		100%	80%	60%	40%	20%	0%
Target on Tariff review (100% = € 51 million)	0%	0.91	(3.56)	(8.03)	(12.50)	(16.97)	(21.45)
	20%	6.67	2.20	(2.27)	(6.74)	(11.21)	(15.68)
	40%	12.44	7.97	3.50	(0.97)	(5.44)	(9.91)
	60%	18.21	13.74	9.27	4.80	0.32	(4.15)
	80%	23.97	19.50	15.03	10.56	6.09	1.62
	100%	29.74	25.27	20.80	16.33	11.86	7.39

**Target on Tariff review
(100% = € 51 million)**

17. Concessions and Rights on Infrastructure – € 3,048,190 thousand

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

- the values of concessions received from the Municipalities (€ 93,513 thousand);
- the overall amount of all tangible infrastructures for the management of water services (€ 2,642,451 thousand), in accordance with IFRIC 12.

Concessions refer for € 87,534 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 OTA 2. The balance is completed by the thirty-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 5,978 thousand.

Capital expenditure for the period relating to Infrastructure rights amounted to € 497,559 thousand and mainly refers to:

- Acea Ato2 for € 364,198 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- Acea Ato5 for € 32,182 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- GORI for € 59,859 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service.

18. Intangible fixed assets – € 411,607 thousand

The item has a net book value as at 31 December 2021 of € 411,607 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Investments in progress	Total intangible fixed assets
31.12.2020	171,309	100,978	40,945	313,232
Assets held for sale	0	(30,182)	(1,170)	(31,352)
Depreciation/amortisation and impairment losses	(65,834)	(35,414)	0	(101,249)
Investments/Acquisitions	71,835	31,118	15,135	118,088
Disinvestments	(5,066)	(17)	(1,136)	(6,219)
Changes in consolidation scope	302	65,393	(9,589)	56,105
Other changes	30,921	45,959	(13,879)	63,001
Net value 31.12.21	203,466	177,835	30,305	411,607

The increase compared to the previous year, of € 98,375 thousand, derives from the change in the scope (+€ 56,105 thousand) owing mainly to the consolidation of Deco and from the definitive allocation of the values deriving from the business combinations (+€ 54,974 thousand) present in the item other changes (please see the specific paragraph for more information). The investments made in the period which were € 118,088 thousand net of depreciation/amortisation and impairment losses amounting to € 101,249 thousand also contributed to the increase. Finally, the increase was offset by the reclassification for IFRS5 of € 31,352 thousand.

Investments for the period are mainly attributable to:

- Areti for € 35,369 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 42,954 thousand in relation to the cost of acquiring new customers under the terms of IFRS15 (€ 27,618

thousand), and to IT implementation projects (€ 15,337 thousand);

- the Parent Company for € 23,436 thousand for the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management.

The change in the consolidation scope had an impact for € 56,105 thousand and refers mainly to Deco.

19. Right of use – € 53,096 thousand

This item includes rights of use on assets of others which are recognised as leased assets and are therefore amortised over the duration of the contracts in line with the international standard IFRS16. As at 31 December 2021 the net book value of these assets is € 53,096 thousand and the nature of these assets can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Land and buildings	36,415	57,362	(20,946)	(36.52%)
Cars and motor vehicles	6,154	4,215	1,939	46.00%
Machinery and equipment	8,599	9,898	(1,299)	(13.13%)
Distribution cabins	1,864	1,999	(136)	(6.79%)
Other	63	186	(122)	(65.99%)
Total	53,096	73,660	(20,565)	(27.92%)

The book value of the assets consisting of the right of use as at 31 December 2021 for each class of underlying asset and the related changes in the year are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	57,362	4,215	9,898	1,999	186	73,660
Acquisitions	3,554	0	503	0	0	4,057
New contracts	3,252	6,306	74	104	0	9,736
Remeasurement	739	734	203	(30)	2	1,648
Depreciation	(10,324)	(5,102)	(2,079)	(210)	(124)	(17,839)
Total	54,582	6,154	8,599	1,864	63	71,263
IFRS5 reclassification	(18,167)	0	0	0	0	(18,167)
Total	36,415	6,154	8,599	1,864	63	53,096

The reduction of € 20,565 thousand is mainly due to IFRS5 for an amount of € 18,167 thousand. The reclassification generated an impact on the category of land and buildings because the photovoltaic companies are for sale; therefore it regarded all the surface rights in being.

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 to which the Group has committed itself for a significant amount.

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

20. Equity investments in unconsolidated subsidiaries and associates – € 292,239 thousand

Company name	31/12/2020	Changes in consolidation scope	Gains/losses from valuation of shareholders' equity	Increase/Decrease for dividends	Currency translation differences	OCI	Other changes/reclassifications	31/12/2021
Acque	90,545	0	8,920	2,615	0	568	133	102,780
Acque Servizi	5,110	0	502	(675)	0	(65)	0	4,872
Geal	7,812	0	206	44	0	1	0	8,063
Nuove Acque	6,188	0	1,109	(162)	0	25	0	7,161
Intesa Aretina	6,533	0	(369)	(452)	0	0	(2)	5,710
Publiacqua	111,371	0	4,734	(5,466)	0	13	(196)	110,455
Umbra Acque	19,334	0	1,593	158	0	139	0	21,225
Ingegnerie Toscane	13,357	0	3,432	(3,177)	0	2	(136)	13,478
Energia	12,869	0	271	(508)	0	0	288	12,920
Belaria	0	21	664	0	0	0	(685)	0
Picena Ambiente	0	3,088	0	0	0	0	0	3,088
Others	3,106	0	(517)	0	(190)	0	89	2,488
Total equity investments	276,224	3,109	20,545	(7,623)	(190)	683	(509)	292,239

The main changes that occurred during the period refer to the valuations of the companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 20,545 thousand. These valuations are mainly reflected in the item “Income/(Expenses) from equity investments of a non-financial nature” (+€ 21,048 thousand) and the rest in

the item “Income/Expenses from equity investments” (-€ 503 thousand).

We can note that the equity investment in Belaria falls within the IFRS5 perimeter of sale and is therefore reclassified in the item “Non-current assets held for sale”.

31/12/2021

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	NFP
Acque	239,699	34,904	(128,900)	(40,174)	(76,549)	8,920	(90,064)
Intesa Aretina	12,232	279	0	(59)	0	(369)	205
Belaria	3,228	856	(3,535)	(412)	(747)	664	(3,250)
Ecomed	3	361	(20)	(420)	0	(14)	157
Energia	4,973	1,504	0	(493)	(1,635)	271	1,154
Geal	20,461	5,757	(10,773)	(6,888)	(9,562)	206	(4,904)
Ingegnerie Toscane	1,614	11,627	(611)	(5,180)	(11,980)	3,432	(1,130)
Nuove Acque	17,907	5,857	(7,799)	(2,895)	(9,591)	1,109	(3,778)
Publiacqua	234,879	53,942	(129,806)	(46,308)	(105,261)	4,734	(76,262)
Acque Servizi	777	8,262	(872)	(4,152)	(11,235)	502	(656)
Umbra Acque	68,648	11,476	(45,290)	(14,857)	(33,875)	1,593	(21,750)
Total	604,423	134,824	(327,606)	(121,838)	(260,434)	21,048	(200,278)

31/12/2020

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	NFP
Acque	220,854	35,026	(124,786)	(37,410)	(78,282)	11,751	(88,598)
Intesa Aretina	11,866	375	0	(200)	0	(102)	205
Belaria	4,134	2,857	(6,956)	(43)	0	(8)	(4,124)
Ecomed	3	373	(20)	(419)	0	(7)	163
Energia	4,905	1,428	0	(498)	(1,431)	315	720
Geal	18,320	6,858	(10,783)	(6,084)	(8,884)	810	(4,900)
Ingegnerie Toscane	1,608	10,893	(668)	(4,649)	(12,276)	2,438	916
Nuove Acque	17,932	5,141	(8,845)	(2,130)	(9,108)	864	(4,377)
Publiacqua	222,943	51,467	(112,541)	(48,585)	(104,352)	10,589	(69,947)
Acque Servizi	774	7,511	(798)	(3,288)	(12,462)	828	522
Servizi Idrici Integrati	89,572	57,322	(60,223)	(52,473)	(43,892)	602	(47,828)
Umbra Acque	63,919	15,084	(23,739)	(37,346)	(35,214)	2,240	(21,006)
Total	656,831	194,335	(349,358)	(193,125)	(305,899)	30,319	(238,254)

21. Other equity investments – € 2,980 thousand

These total € 2,980 thousand (they were € 3,100 thousand at 31 December 2020) and are composed of investments in shareholder securities that do not represent control, association or joint control.

22. Deferred tax assets – € 202,606 thousand

At 31 December 2021, deferred tax assets, net of deferred tax liabilities, amounted to € 202,606 thousand (€ 235,012 thousand at 31 December 2020).

Deferred tax assets are mainly made up of the following kinds: (i) € 36,854 thousand for the provision for tax risks (€ 28,654 thou-

sand as at 31 December 2020); (ii) € 129,434 thousand to the amortisation/depreciation of tangible and intangible assets (€ 135,217 thousand as at 31 December 2020); (iii) € 68,367 thousand for the impairment of receivables (€ 83,339 thousand as at 31 December 2020); (iv) € 11,097 thousand to defined benefit and defined contribution plans (€ 12,362 thousand as at 31 December 2020); (v) € 10,008 thousand to fair value of commodities and other financial instruments (€ 9,923 thousand as at 31 December 2020).

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 € 10,219 thousand and allocations amounting to € 8,671 thousand contributed to this item.

The following table details the changes in this item.

€ thousand	Changes in 2021							2021 Balance
	2020 Balance	Changes in consolidation scope	Adjustments/ Reclassifica- tions	Changes in shareholders' equity	Uses	Rate adjustment	IRES/IRAP provisions	
Prepaid taxes								
Tax losses	401	0	(297)	0	0	0	0	105
Remuneration of BoD members	42	0	0	0	(31)	0	33	45
Provisions for risks and charges	28,654	0	4,561	126	(8,026)	0	11,538	36,854
Impairments of receivables and equity investments	83,339	0	114	(2,476)	(16,280)	0	3,669	68,367
Depreciation and amortisation	135,217	0	(16,000)	3,338	(11,197)	0	18,075	129,434
Defined benefit and defined contribution plans	12,362	0	(192)	(467)	(690)	0	83	11,097
Tax assets on consolidation adjustments	9	0	0	(20)	(1)	0	16	4
Fair value commodities and other financial instruments	9,923	0	0	291	(329)	0	123	10,008
Others	58,558	(27)	(646)	(2,337)	(4,861)	0	7,712	58,399
Total	328,505	(27)	(12,459)	(1,543)	(41,414)	0	41,250	314,312
Deferred taxes								
Depreciation and amortisation	61,000	0	(15,260)	4,084	(6,557)	0	5,497	48,765
Defined benefit and defined contribution plans	177	16,241	(16,229)	22,549	(150)	0	99	22,687
Fair value commodities and other financial instruments	4,133	0	1,022	6,445	(984)	0	0	10,615
Others	28,183	0	1,480	(569)	(2,528)	0	3,074	29,640
Total	93,493	16,241	(28,988)	32,509	(10,219)	0	8,671	111,707
Net	235,012	(16,268)	16,529	(34,053)	(31,194)	0	32,579	202,606

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 – € 22,549 thousand

These amounted to € 22,549 thousand (€ 38,781 thousand at 31 December 2020) and recorded a decrease of € 16,233 thousand attributable to Acea Sun Capital for € 9,366 thousand and related to the loan in being with Belaria (a company consolidated with the net equity method), which presented a reduction of € 3,704 thousand compared to the previous year and was reclassified for

the residual amount of € 5,662 thousand in application of IFRS5. The remaining change is mainly attributable to the Parent Company (-€ 7,011 thousand) and regards receivables due from Roma Capitale for investments in the public lighting service, such as systems improvements, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond 2021, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets – € 576,065 thousand

Other non-current assets at 31 December 2021 are composed as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables due from the State	27	0	27	n.s.
Advances and deposits	948	1,672	(723)	(43.3%)
Other receivables, receivables from subsidiaries	1,813	1,809	4	0.2%
Long-term receivables for tariff adjustments, non-current provisions for doubtful accounts	443,001	387,803	55,198	14.2%
Long-term receivables for Regulatory Lag	116,712	117,108	(396)	(0.3%)
Accrued income and prepayments	13,564	13,968	(405)	(2.9%)
Other non-current assets	576,065	522,360	53,706	10.3%

This item also includes long-term receivables for tariff adjustments for € 443,001 thousand (€ 387,803 thousand at 31 December 2020) of the water companies, while € 116,712 thousand (€ 117,108 thousand at 31 December 2020) represents

the long-term portion of the receivables registered in Areti for regulatory lag.

25. Current assets – € 2,658,809 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Inventories	86,406	91,973	(5,567)	(6.1%)
Trade receivables				
Receivables from customers	1,027,007	934,174	92,832	9.9%
Receivables from Parent Company	34,472	38,718	(4,246)	(11.0%)
Receivables from subsidiaries and associates	10,165	8,617	1,549	18.0%
Total trade receivables	1,071,644	981,509	90,135	9.2%
Other current receivables and assets	387,813	257,442	130,370	50.6%
Current financial assets	407,944	379,859	28,085	7.4%
Tax credits	24,183	9,618	14,565	151.4%
Cash and cash equivalents	680,820	642,209	38,611	6.0%
Current assets	2,658,809	2,362,610	296,199	12.5%

25.a - Inventories

The item inventories amounted to € 86,406 thousand (€ 91,973 thousand at 31 December 2020) and shows a decrease of € 5,567 thousand, attributable mainly to areti (–€ 16,504 thousand) in part offset by the change in the scope (+€ 7,283 thousand).

25.b - Trade receivables

These amounted to € 1,071,644 thousand, recording an increase of € 90,135 thousand compared to 31 December 2020, when the figure was € 981,509 thousand.

€ thousand	31/12/2021	31/12/2020	Change	% change
Trade receivables	1,027,007	934,174	92,832	9.9%
Receivables due from the Parent Company	34,472	38,718	(4,246)	(11.0%)
Receivables from subsidiaries and associates	10,165	8,617	1,549	18.0%
Total trade receivables	1,071,644	981,509	90,135	9.2%

Trade receivables

These amounted to € 1,027,007 thousand, recording an increase of € 92,832 thousand compared to 31 December 2020.

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables due from end users for bills issued	366,332	382,956	(16,624)	(4.3%)
Receivables due from end users for bills to be issued	503,261	411,623	91,638	22.3%
Total receivables due from end users	869,593	794,578	75,014	9.4%
Receivables from other customers	157,355	139,536	17,819	12.8%
Other current receivables and assets	59	60	(1)	(1.3%)
Total receivables	1,027,007	934,174	92,832	9.9%

Receivables are shown net of the Provision for doubtful receivables, which at 31 December 2021 amounted to € 595,173 thousand and decreased by € 44,824 thousand compared to the previous year,

mainly due to the effect of uses for the period and lower provisions due also to the effects of the sale of non-performing receivables, which amounted to € 98,678 thousand at 31 December 2021.

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

€ million	31/12/2021			31/12/2020			Change		
	Gross receivables (A)	Provision for write-downs (B)	Net receivables	Gross receivables (C)	Provision for write-downs (D)	Net receivables	Gross receivables (A – C)	Provision for write-downs (B – D)	Net receivables
Environment	73,335	(4,762)	68,573	59,713	(3,111)	56,601	13,622	(1,650)	11,972
Commercial and Trading	479,144	(173,095)	306,048	413,104	(222,102)	191,002	66,040	49,006	115,046
Water	782,980	(301,359)	481,620	826,276	(301,195)	525,081	(43,296)	(165)	(43,461)
Overseas	26,478	(18,341)	8,137	23,666	(15,846)	7,820	2,812	(2,495)	317
Energy Infrastructure	222,751	(88,525)	134,226	204,286	(88,627)	115,660	18,465	101	18,566
Generation	25,162	(5,893)	19,269	36,180	(5,924)	30,255	(11,018)	32	(10,987)
Engineering and Services	9,537	(1,073)	8,464	7,925	(1,068)	6,857	1,613	(5)	1,607
Parent Company	2,793	(2,124)	669	3,022	(2,124)	898	(229)	0	(229)
Total	1,622,179	(595,173)	1,027,007	1,574,171	(639,997)	934,174	48,008	44,824	92,832

Environment

These totalled € 68,573 thousand, up by € 11,972 thousand compared to 31 December 2020. The change is mainly attributable to the change in the scope for a total of € 12,199 thousand, mainly due to the consolidation of Deco (+€ 7,860 thousand), Ecologica Sangro (+€ 2,141 thousand) and Meg (+€ 2,197 thousand). We can also note the increase recorded by Acea Ambiente (+€ 5,705 thousand) and the reduction of Aquaser (-€ 2,763 thousand).

Commercial and Trading

Receivables in this segment amounted to € 306,048 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The increase compared to 31 December 2020 was € 115,046 thousand, mainly attributable to Acea Energia (+€ 101,311 thousand) and residually to the increase in receivables recognised by Umbria Energy (+€ 6,336 thousand) and Acea Innovation (+€ 5,656 thousand).

In 2021, Acea Energia's receivables were assigned without recourse for a total amount of € 456,077 thousand.

Water

These totalled € 481,620 thousand, recording a decrease of € 43,461 thousand compared to 31 December 2020. The decrease is attributable to GORI (-€ 13,910 thousand), Gesesa (-€ 8,370 thousand), Acea Ato2 (-€ 10,804 thousand) and SII (-€ 5,626 thousand). These decreases are attributable to the effects of the transactions to dispose of non-performing receivables carried out during 2021. In particular, during the period, Acea Ato2 receivables were assigned without recourse for a total of € 389,156 thousand, of which € 4,466 thousand due from the Public Administration, Acea Ato5 receivables for € 3,446 thousand (of which € 1,287 thousand due from the Public Administration), SII receivables for € 11,010 thousand, GORI receivables for € 6,906 thousand and AdF receivables for € 974 thousand.

Overseas

These amounted to a total of € 8,137 thousand and increased compared to 31 December 2020 by € 317 thousand mainly as a result of the consolidation of the new Consorcio Acea Lima Norte (+€ 1,095 thousand) partially offset by the reduction in receivables recognised by Aguas de San Pedro (-€ 824 thousand).

Energy Infrastructure

These came out at € 134,226 thousand with an increase of € 18,566 thousand compared to 31 December 2020, mainly attributable to Areti.

In 2021, *areti* receivables totalling € 596,369 thousand were transferred *pro-soluto*, € 189,297 thousand to the Public Administration.

Generation

These amounted to a total of € 19,269 thousand and decreased compared to the previous year by € 10,987 thousand. The reduction is mainly attributable to the reclassification made under the terms of the accounting standard IFRS5 (+€ 9,138 thousand). Please see the specific paragraph for further information.

Engineering and Services

These amounted to a total of € 8,464 thousand, an increase compared to 31 December 2020 of € 1,607 thousand attributable mainly to the consolidation of SIMAM (+€ 1,581 thousand) and Acea Elabari (+€ 536 thousand) only partially offset by TWS (-€ 510 thousand).

Parent Company

These totalled € 669 thousand, recording a decrease of € 229 thousand compared to 31 December 2020.

Receivables due from the Parent Company Roma Capitale

As regards **relations with Roma Capitale**, the net balance at 31 December 2021 was € 32,177 thousand payable by the Group, compared to the previous balance of € 28,586 thousand at 31 December 2020.

Trade and financial receivables recorded an overall decrease of € 42,308 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 of Acea Ato2 for € 42,880 thousand;
- Higher receivables of Public Lightning for € 37,228 thousand;
- Collection/Offset of receivables of Public Lightning for € 75,290 thousand;
- Collection/Offset of receivables of Acea Ato2 for € 44,868

thousand;

- Collection of receivables of Acea Energia for € 2,095 thousand.

Payables decreased by € 38,717 thousand compared to the previous year; the main changes during the year are as follows:

- Higher payables for recognition of share dividends accrued for 2020 by Acea amounting to € 86,889 thousand, as resolved by the Shareholders' Meeting of April 2021;
- Higher payables due to the recognition of the portion accrued in 2021 referring to the Acea Ato2 concession fee, for € 25,276 thousand;
- Higher payables due to the recognition of Acea Ato2 share dividends accrued for 2020 amounting to € 2,230 thousand, as resolved by the Shareholders' Meeting of April 2021;
- Higher payables due to the recognition of the accrued portion for the Cosap debt of € 1,619 thousand;
- Payment/Offset by Acea Ato2 of the concession fees for 2017, 2019 and 2020 for a total of € 49,945 thousand;
- Payment/Offset of Acea Ato2 share dividends referred to 2018 and 2019 for a total of € 4,307 thousand;
- Payment/Offset of Acea share dividends for 2018 and 2019 for a total of € 99,213 thousand;
- Payment/Offset of electricity surcharges accrued up to 2011 for € 2,095 thousand.

We can note also that during the year current payables for licences of € 15 million were paid by the company *areti* to the Municipalities of Roma Capitale.

In 2021, the following offset/payment transactions were made for a total of € 123,145 thousand. The main transactions are presented below:

- March 2021: offsetting of receivables for € 18,623 thousand relating to the Public Lighting service for January-November 2020 fees, offsetting Acea's share dividends for 2018;
- June 2021: offsetting of receivables for € 8,905 thousand relating to receivables from water use for the period November-December 2020, offsetting the share dividends for the years 2018 and 2019, and the portion of the 2020 concession fee;
- July 2021: offsetting of receivables for € 11,918 thousand relating to water use for the period January-April 2021, offsetting a portion of the 2020 concession fee;
- July 2021: offsetting of receivables for € 8,906 thousand relating to the Public Lighting service for PL fees for the periods December 2020 and January-April 2021, offsetting Acea's share dividends for 2019;
- September 2021: offsetting of receivables for € 4,122 thousand relating to the Public Lighting service for the LED Plan, offsetting Acea's share dividends for 2018;
- September 2021: receivables for € 7,214 thousand relating to the Public Lighting service for May-August 2021 PL fees were offset with Acea's share dividends for 2018;
- October 2021: offsetting of receivables for € 2,095 thousand relating to electricity users for the years 2015-2018, offsetting electricity surcharges accrued up to 2011;
- October 2021: offsetting of receivables for € 7,260 thousand relating to the Public Lighting service for modernisation and safety 2017 and 2018 and street lighting works offsetting Acea's share dividends for 2018;
- November 2021: receivables for € 29,027 thousand related to the Public Lighting service, extraordinary maintenance, as an advance referred to the years from 2016 to 2020 and modernisation and safety year 2019 were offset with Acea's share

dividends, balance of 2018 and part of 2019.

- December 2021: offsetting of receivables for € 24,045 thousand relating to water use for the period May-November 2020 and December 2018, offsetting Acea's share dividends for 2019.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale Receivables and Payables. The Group companies chiefly concerned are Acea and Acea Ato2. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group.

In order to arrive at a complete resolution of the differences during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables. In 2020 at total of € 33.3 million of receivables referred to the aforementioned Report were settled in the Group.

In 2021 a new Public Lighting Technical Panel comprising Acea and Roma Capitale was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. After this work Roma Capitale paid Acea SpA Public Lighting receivables for € 75,290 thousand through offsets.

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

In 2021 while awaiting the conclusion and finalisation of these aspects, Acea regularly continued to provide the Public Lighting service proceeding also to the invoicing and in part also to the collection from Roma Capitale.

Again in 2021, reconciliation work continued between Acea Ato2 and Roma Capitale (SIMU Department) and a joint Technical Report signed by Roma Capitale and Acea Ato2 was completed in December, largely overcoming and resolving the disputes affecting the 2019 Technical Panel. This agreement led to the derecognition of the receivables in question through the use of the provisions for impairment set aside for this purpose. The operation reduced receivables and provisions by approximately € 7.4 million.

Please note that in September 2021 the Consolidated Financial Statements of Roma Capitale at 31 December 2020 were approved. The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

	31/12/2021 (A)	31/12/2020 (B)	Change (A – B)
Receivables due from Roma Capitale			
Utility receivables	30,427	42,036	(11,609)
Provisions for impairment	(1,749)	(9,348)	7,599
Total receivables from users	28,678	32,688	(4,010)
Receivables for water works and services	2,325	2,320	5
Receivables for water works and services to be invoiced	1,971	1,818	153
Provisions for impairment	(2,191)	(1,897)	(293)
Receivables for electrical works and services	3,990	4,073	(82)
Receivables works and services - to be billed	25	43	(18)
Provisions for impairment	(326)	(326)	0
Total receivables for works	5,793	6,030	(236)
Total trade receivables	34,472	38,718	(4,246)
Financial receivables for Public Lighting services billed	117,133	129,336	(12,203)
Provisions for impairment	(30,152)	(30,152)	0
Financial receivables for Public Lighting services to be billed	48,981	65,033	(16,052)
Provisions for impairment	(28,298)	(21,960)	(6,338)
M/L term financial receivables for Public Lighting services	8,286	11,756	(3,471)
Total Public Lighting receivables	115,949	154,012	(38,062)
Total Receivables	150,421	192,729	(42,308)

	31/12/2021	31/12/2020	Change
Payables due to Roma Capitale			
Electricity surtax payable	(13,153)	(15,249)	2,096
Concession fees payable	(37,533)	(62,202)	24,670
Other payables	(13,463)	(11,013)	(2,450)
Dividend payables	(118,450)	(132,851)	14,401
Total payables	(182,598)	(221,316)	38,717
Net balance receivables payables	(32,177)	(28,586)	(3,591)

Trade receivables from associates and joint ventures

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables from associates	1,542	1,517	25	1.7%
Receivables from jointly controlled entities	8,623	7,100	1,523	21.5%
Total	10,165	8,617	1,549	18.0%

Trade receivables from associated and jointly controlled companies mainly refer to receivables from companies consolidated using the equity method. These receivables amounted to a total of € 10,165 thousand (+€ 1,549 thousand) and the increase derives from the

recognition of higher receivables claimed by Acea from its subsidiaries following the attribution of the costs incurred for the IT platform in joint ownership and the invoicing of IT licences and services incurred on behalf of the Group Companies.

25.c - Other current assets

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables from others	292,288	235,791	56,497	24.0%
Accrued income and prepaid expenses	23,847	19,606	4,242	21.6%
Active derivative instruments on commodities	71,678	2,045	69,632	n.s.
Total	387,813	257,442	130,370	50.6%

Receivables from others

These amounted to a total of € 292,288 thousand and were made up as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables due from the Equalisation Fund	95,887	37,504	58,383	155.7%
Receivables from Equalisation Fund for tariff contribution from cancellation	6,667	1,261	5,406	n.s.
Other receivables from Equalisation Fund	6,451	7,757	(1,305)	(16.8%)
Regional grants receivable	2,514	227	2,287	n.s.
Receivables from Equitalia	122	232	(110)	n.s.
Security deposits	3,803	6,527	(2,724)	n.s.
Receivables from social security institutions	3,134	3,242	(108)	n.s.
Receivables from individual transfers	2,190	2,352	(162)	n.s.
Suppliers' advances	9,625	5,158	4,467	86.6%
Receivables due from Municipalities	10,813	10,784	29	0.3%
Receivables from factor from the sale	(840)	288	(1,128)	n.s.
Receivables for accrued Green Certificates	6,975	5,596	1,380	24.7%
Receivables from OTAA's	5,058	16,029	(10,971)	n.s.
Receivables from staff	49	29	20	68.8%
Receivables due to the transferee Area Laurentina	6,446	6,446	0	n.s.
Receivables for advances to employees	616	569	47	8.2%
Other tax receivables	36,177	30,469	5,708	18.7%
Other receivables	96,602	101,323	(4,721)	n.s.
Total	292,288	235,791	56,497	24.0%

The increase of € 56,497 thousand derives mainly i) from receivables from the Equalisation Fund (Cassa Conguaglio) for energy equalisation (+€ 58,383 thousand) mainly attributable to Acea Energia (+€ 54,771 thousand) from Cassa per i Servizi Energetici e Ambientali (CSEA) the effect of which was mainly generated by the determination of the amount due for equalisation purposes for the year 2021 and the remainder for the amount due for the years 2014-2020; ii) from receivables for regional contributions (+€ 2,287 thousand) attributable mainly to Acea Ato2 and to the contribution provided by the Lazio Region to counter the drinking water supply crisis iii) from higher receivables recorded by Areti (+€ 5,406 thousand) from Cassa per i Servizi Energetici e Ambientali (CSEA) the increase in which is associated with the purchase of Energy Efficiency Certificates necessary to achieve the energy saving target; iv) higher receivables for Green Certificates accrued attributable to Acea Produzione (+€ 1,246 thousand) and Acea Ambiente (+€ 133 thousand) v) and from the reduction in receivables from the OTAA entirely attributable to SII (-€ 10,971 thousand) and attributable in part to the negative adjustments of the costs updatable in 2023 and in part to the reversal of components related to previous years.

Accrued income and prepaid expenses

These amounted to € 23,847 thousand (€ 19,606 thousand at 31 December 2020) and refer mainly to rent on public land, lease payments and insurance. The change was a positive € 4,242 thousand.

Active derivative instruments on commodities

The item, of € 71,678 thousand, is entirely referable to Acea Energia and represents the measurement of commodity hedging derivatives; these transactions, as they are considered effective, are offset in the specific Shareholders' Equity reserve and at 31 December 2021 there were no changes in fair value referable to the ineffective portion to be recognised in the income statement.

We can note that among the "Other current liabilities" the item "Current derivative instruments" is recognised for € 44,553 thousand.

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 are no changes in fair value relating to the ineffective portion to be recognised on the profit or loss.

The table below shows the details of the values divided by commodity:

	31/12/2021			31/12/2020			Change net effect
	Fair value of assets	Fair value of liabilities	Net effect	Fair value of assets	Fair value of liabilities	Net effect	
Derivatives on commodities							
Power portfolio	59,461	44,551	14,910	63	-	63	14,847
GAS portfolio	12,217	2	12,215	1,982	-	1,982	10,232
Total derivatives on commodities	71,678	44,553	27,125	2,045	-	2,045	25,080

25.d - Current tax assets

These amounted to € 24,183 thousand (€ 9,618 thousand at 31 December 2020) and include IRAP and IRES receivables.

25.e - Current financial assets

€ thousand	31/12/2021	31/12/2020	Change	% change
Financial receivables from the Parent Company Roma Capitale	107,664	142,256	(34,592)	(24.3%)
Financial receivables from subsidiaries and associates	2,568	2,509	59	2.4%
Financial receivables from third parties	295,412	235,094	60,318	25.7%
Securities	2,300	0	2,300	n.s.
Total	407,944	379,859	28,085	7.4%

Financial receivables from the Parent Company Roma Capitale

These totalled € 107,664 thousand, recording a decrease of € 34,592 thousand compared to 31 December 2020. 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 € 2,568 thousand and were more or less unchanged compared to 31 December 2020; they refer to Consorcio Agua Azul and are related to loans granted by one of the shareholders.

Financial receivables from third parties

These amounted to € 295,412 thousand (€ 235,094 thousand at 31 December 2020) and are essentially made up of short-term deposit lines of the Parent Company (€ 274,813 thousand).

Securities

These amounted to € 2,300 thousand and refer to investments of liquidity related to Deco.

25.f - Cash and cash equivalents

The balance at 31 December 2021 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies amounted to € 680,820 thousand. The table below illustrates the detailed breakdown:

€ thousand	31/12/2021	31/12/2020	Change	% change
Bank and postal deposits	666,245	637,730	28,515	4.5%
Cheques	6,421	2,096	4,325	n.s.
Cash and similar items of value on hand	8,154	2,383	5,770	n.s.
Total	680,820	642,209	38,611	6.0%

26. Assets held for sale

At 31 December 2021 "Non-current assets held for sale" amounted to € 168,425 thousand (no value at 31 December 2020) and refer to the reclassification according to IFRS5 of the assets related

to the agreement for the sale of the majority stake in the company that will hold the Acea group's photovoltaic plants (Acea Sun Capital). For more information please see the paragraphs with the details.

LIABILITIES

At 31 December 2021 these amounted to € 10,628,886 thousand (€ 9,673,614 thousand at 31 December 2020), recording an in-

crease of € 955,272 thousand (9.9%) over the previous year, and are broken down as follows:

€ thousand	31/12/2021	31/12/20	Change	% change
Shareholders' equity	2,516,420	2,323,258	193,162	8.3%
Non-current liabilities	5,514,512	4,839,048	675,464	14.0%
Current liabilities	2,550,553	2,511,308	39,245	1.2%
Liabilities closely associated with assets held for sale	47,402	0	47,402	n.s.
Total liabilities	10,628,886	9,673,614	955,272	9.4%

27. Shareholders' equity – € 2,516,420 thousand

At 31 December 2021, shareholders' equity amounted to € 2,516,420 thousand (€ 2,323,258 thousand at 31 December 2020). The changes that occurred compared to the previous year are illustrated in detail in the specific table.

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 € 138,649 thousand.

Other reserves and retained earnings

At 31 December 2021 these amounted to € 573,114 thousand against € 453,724 thousand at 31 December 2020.

In addition to the allocation of the previous year's result, the change of € 121,893 thousand derives mainly from: i) distribution of divi-

dends of the Parent Company for € 170,038 thousand and ii) increase in cash flow hedges of financial instruments and commodities for € 20,283 thousand iii) increase of € 6,812 thousand in actuarial gains and losses reserves; iv) decrease in the exchange rate reserve for € 19 thousand.

At 31 December 2021 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 € 392,449 thousand, an increase of € 34,020 thousand. The change between the two periods compared, in addition to the change in the portion of profits pertaining to minority interests, is mainly due to the change in the consolidation scope (+€ 9,026 thousand), for the acquisition of 35% of the shares of Solaria (effect including the allocation of Goodwill) and of 10% of Demap and to the acquisitions of Meg and As Recycling, as well as the allocation to non-controlling interests of goodwill arising during evaluation (+€ 14,974 thousand), about which more information can be found in the relevant section of the notes.

28. Employee severance indemnity and other defined benefit plans – € 120,150 thousand

At 31 December 2021, this item amounted to € 120,150 thousand (€ 122,047 thousand as at 31 December 2020) 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	31/12/2021	31/12/2020	Change	% change
Benefits due at the time of termination of employment				n.s.
- Employee severance indemnity	62,313	67,029	(4,717)	(7.0%)
- Extra months	8,989	10,150	(1,160)	(11.4%)
- Long-Term Incentive Plans (LTIP)	858	1,600	(742)	(46.4%)
Post-employment benefits				n.s.
- Tariff subsidies	21,584	26,033	(4,449)	(17.1%)
- Isopensione (early retirement)	26,406	17,235	9,171	53.2%
Total	120,150	122,047	(1,897)	(1.6%)

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

to IAS 19.

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

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

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

	31/12/2021	31/12/2020
Discount rate	1.0%	0.3%
Revenue growth rate (average)	1.6%	1.6%
Long-term inflation	1.8%	1.0%

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

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

Type of plan -€ million	Discount Rate	
	+0.5%	-0.5%
Employee severance indemnities (TFR)	-3.4	+4.0
Tariff subsidies	-0.9	+0.9
Extra months	-0.4	+0.4

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

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

Type of plan -€ million	-1 year of age
Employee severance indemnities (TFR)	-0.6
Tariff subsidies	-0.6
Extra months	+0.4

29. Provisions for risks and charges – € 193,318 thousand

At 31 December 2021, the provision for risks and charges amounted to € 193,318 thousand (€ 156,951 thousand at 31 December 2020) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of that 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 year:

€ thousand	31/12/2020	Uses	Provisions	Release for excess provisions	Reclassifications/ Other changes	31/12/2021
Legal	16,173	(3,327)	4,216	(1,489)	746	16,319
Taxes	9,171	(65)	195	(2,129)	84	7,255
Regulatory risks	27,432	(1,139)	5,326	(271)	(386)	30,961
Investees	10,308	0	0	(156)	(2,662)	7,490
Contributory risks	1,107	0	11	0	(2)	1,117
Insurance deductibles	10,980	(2,246)	2,498	(87)	(281)	10,863
Other risks and charges	23,690	(5,431)	7,817	(784)	784	26,075
Total provision for risks	98,860	(12,209)	20,063	(4,916)	(1,718)	100,080
Early retirements and redundancies	31,762	(25,963)	21,735	0	(40)	27,493
Post mortem	17,591	(42)	(140)	0	35,739	53,149
Provision for expenses payable to others	8,738	(1,622)	5,400	0	80	12,596
Total provisions for expenses	58,090	(27,627)	26,995	0	35,779	93,238
Total provisions for risks and charges	156,951	(39,836)	47,058	(4,916)	34,061	193,318

The item shows a total increase of € 36,368 thousand of which a significant part due to the change in scope and in particular to

the *Post Mortem* provisions related to the consolidation of Deco for € 18,112 thousand and Ecologica Sangro for € 17,472 thousand. It should be noted that the provision of € 21,735 thousand refers to the estimate of costs relating to redundancy and mobility as well as future early retirement incentive plans; this amount represents the net balance between provisions for the period amounting to € 27,168 thousand and releases due to surplus amounting to € 5,434 thousand.

Acea considers that the settlement of ongoing disputes and oth-

er 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".

30. Non-current borrowings and financial liabilities – € 4,791,979 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Bonds	4,141,952	3,253,444	888,508	27.3%
Medium/long-term borrowings	610,298	841,464	(231,166)	(27.5%)
IFRS 16 financial payables	39,729	59,343	(19,613)	(33.1%)
Total	4,791,979	4,154,251	637,729	(33.2%)

The figures in the table include the fair value, at 31 December 2021, of hedging instruments entered into and certain Group companies

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

€ thousand	Hedged instrument	Derivative fair value	31/12/2021	Hedged instrument	Derivative fair value	31/12/2020
Bonds	4,120,169	21,783	4,141,952	3,230,695	22,749	3,253,444
Medium/long-term borrowings	608,398	1,900	610,298	834,790	6,673	841,464
Non-current borrowings and financial liabilities	4,728,566	23,683	4,752,250	4,065,486	29,422	4,094,908

Bonds

On 21 January 2021, Acea SpA completed placement of a Green Bond for a total amount of € 900 million, with maturity 6 April 2029 divided into in two series, the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the "Bonds"), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the "2025 Bonds") and the second series totalled € 600 million, with a rate of 0.25% and maturity on 28 July 2030 (the "2030 Bonds"). The bonds are governed by English law. Starting from 28 January 2021, the bonds are listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.

Bonds amounted to € 4,141,952 thousand at 31 December 2021 (€ 3,253,444 thousand at 31 December 2020) and refer to the following:

- **€ 598,588 thousand** (including the long-term portion of the 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 of € 1.5 billion. The bonds, which have a minimum denomination of € 100,000 and mature on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,750 thousand;
- **€ 495,909 thousand** (including the long-term portion of the costs attached to the contract) relating to the bond issued by Acea in October 2016 for the EMTN programme for a total amount of € 500,000 with a 10-year fixed-rate duration. The bonds, which have a minimum denomination of € 100,000 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;

- **€ 152,744 thousand** relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 21,796 thousand, amounted to **€ 174,541 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 12,364 thousand, of the hedged instrument calculated on 31 December 2021. The exchange rate at the end of 2021 stood at € 130.90 against € 126.18 as at 31 December 2020. Interest accrued during the period amounted to € 3,806 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 h, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 299,975 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by Acea on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months + 0.37%) under the EMTN pro-

gramme. Interest accrued during the period amounted to zero;

- **€ 692,268 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by Acea on 1 February 2018, with a fixed rate of 1.5% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 10,500 thousand.
- **€ 495,027 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 23 May 2019, with a fixed rate of 1.75% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 8,750 thousand;
- **€ 495,960 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 29 January 2020, with a rate of 0.50% for the du-

ration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 2,500 thousand;

- **€ 299,639 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 September 2025 and rate of 0%;
- **€ 590,045 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 July 2030 and rate of 0.25%; Interest accrued during the period amounted to € 1,389 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	597,669	0	7,336	605,004
Private Placement issued in 2014	152,726	21,796	655	175,177
Issued in 2016	494,863	0	945	495,809
Issued in 2018	990,351	0	5,955	996,305
Issued in 2019	494,170	0	5,346	499,516
Issued in 2020	495,325	0	1,849	497,175
Issued in 2021	888,266	0	645	888,911
Total	4,113,370	21,796	22,731	4,157,897

* Including amortised cost.

** Including deferrals on hedging instruments.

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

These amounted to € 705,968 thousand (€ 953,558 thousand at 31 December 2020) and can be broken down as follows: (i) payables related to principal outstanding falling due beyond 12 months totalling € 610,298 thousand (€ 841,464 thousand at 31 December 2020), (ii) the portions of the same borrowings falling due in the 12 months thereafter, totalling € 95,671 thousand (€ 112,094 thousand at 31 December 2020); these amounts include the fair value portion totalling € 1,900 thousand (€ 6,673 thousand at 31

December 2020) of derivative instruments intended to hedge interest rate risks.

The decrease refers to the Parent Company for € 207,438 thousand, owing mainly to early repayment of the loan taken out in 2020 for an amount of € 100,000 thousand and to early repayment of the principal of € 52,778 thousand of a part of the EIB loan entered into in 2014.

The following table shows medium/long-term borrowings by maturity and type of interest rate:

€ thousand	Total residual debt	By 31/12/2022	Due from 31/12/2022 to 31/12/2026	After 31/12/2026
Loans:				
- fixed rate	183,184	29,745	121,089	32,350
- floating rate	353,711	57,506	168,460	127,746
- floating rate cash flow hedge	169,074	8,420	75,618	85,035
Total	705,968	95,671	365,167	245,131

The fair values of hedging derivatives totalled € 1,900 thousand and are referred almost exclusively to ADF.

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.

had not been complied with.

Information on the fair value of the above borrowings is provided in the section “Additional disclosures on financial instruments and risk management policies”.

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 31 December 2021. 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.

During the year there was no evidence that any of the covenants

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A-B)	Risk adjusted FV (C)	Delta (A-C)
Bonds	4,157,897	4,403,983	(246,086)	4,328,276	(170,379)
- fixed rate	183,184	214,779	(31,596)	213,233	(30,049)
- floating rate	353,711	356,687	(2,976)	352,015	1,696
- floating rate cash flow hedge	169,074	192,971	(23,897)	190,046	(20,973)
Total	4,863,866	5,168,421	(304,555)	5,083,570	(219,705)

IFRS16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS16 amounting to € 39,729 thousand,

of which the short-term portion amounts to € 13,965 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS16 liabilities	13,965	24,786	14,944	53,695

We can note 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. We must specify that

the reduction in the debt related to the application of IFRS16 is impacted by the reduction of € 16,548 thousand owing to the IFRS5 reclassification.

31. Other non-current liabilities -€ 409,064 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Advances received	167,342	175,209	(7,867)	(4.5%)
Water and electrical connection fees	46,397	43,218	3,180	7.4%
Capital grants	152,646	147,379	5,267	3.6%
Accrued expenses and deferred income	42,678	39,993	2,685	6.7%
Total other liabilities	409,064	405,799	3,265	0.8%

Advances from end users and customers

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

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

€ thousand	31/12/2021	31/12/2020	Change	% change
Advances from users	9,277	16,652	(7,375)	(44.3%)
User guarantee deposits	147,040	151,571	(4,531)	(3.0%)
Advances from other customers	11,025	6,987	4,039	57.8%
Total	167,342	175,209	(7,867)	(4.5%)

The decrease in the item guarantee deposits is referable mainly to Acea Energia (-€ 4,964 thousand) in relation to customers leaving the Protected Categories market; the increase in the item advances from customers is referable to SIMAM (+€ 4,077 thousand), while

the change in the item advances from users derives from the reclassification of the advances from the GSE directly reducing trade receivables.

Capital grants and water connection fees

Water connection contributions amounted to € 46,397 thousand (€ 43,218 thousand at 31 December 2020), while plant contributions amounted to € 152,646 thousand (€ 147,379 thousand at 31 December 2020).

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.

32. Current liabilities – € 2,550,553 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Borrowings	285,222	419,822	(134,601)	(32.1%)
Payables to suppliers	1,706,363	1,627,119	79,244	4.9%
Tax payables	18,962	40,217	(21,255)	(52.9%)
Other current liabilities	540,005	424,150	115,856	27.3%
Current liabilities	2,550,553	2,511,308	39,245	1.6%

32.a - Financial payables

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to banks for short-term credit lines	4,800	95,142	(90,342)	(95.0%)
Payables to banks for loans	95,671	112,094	(16,424)	(14.7%)
Short-term bonds	15,945	16,813	(868)	(5.2%)
Payables to the controlling shareholder Municipality of Rome	120,137	133,683	(13,546)	(10.1%)
Payables to subsidiaries and associates	13	26	(13)	(50.8%)
Payables to third parties	34,691	47,765	(13,073)	(27.4%)
IFRS16 financial payables within one year	13,965	14,300	(335)	(2.3%)
Total	285,222	419,822	(134,601)	(32.1%)

Payables to banks for short-term credit lines

These amounted to € 4,800 thousand (€ 95,142 thousand at 31 December 2020), showing a decrease of € 90,342 thousand, mainly attributable to the Parent Company in relation to repayment of the three disbursements during 2020 for a total of € 90 million.

portion of amortised cost related to the bond loans for a total effect of € 1,513 thousand only partially offset by the accrued expenses related to the bond newly issued during 2021 the negative effect of which was € 641 thousand.

Payables to banks for loans

These amounted to € 95,671 thousand (€ 112,094 thousand at 31 December 2020), and refer to the current portion of bank loans falling due within twelve months. The change is attributable mainly to the Parent Company (-€ 14,138 thousand) and is related to early repayment of the principal of a part of the EIB loan taken out in 2014 and full repayment of the loan entered into on 31 March 2008 for an initial amount of € 100,000 thousand.

Payables to the Parent Company Roma Capitale

These amounted to € 120,137 thousand (€ 133,683 thousand at 31 December 2020) and recorded a decrease resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment of dividends during the period.

Payables to subsidiaries and associates

These amounted to € 13 thousand, down compared to 31 December 2020.

Short-term bonds

These amounted to € 15,945 thousand (€ 16,813 thousand at 31 December 2020). The decrease in short-term bonds was € 868 thousand and can be attributed mainly to the measurement of the

Payables to third parties

These amounted to € 34,691 thousand (€ 47,765 thousand at 31 December 2020) and the reduction is mainly attributable to lower payables to factors of areti. The item can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Dividends payable to shareholders	330	922	(592)	(64.2%)
Financial payables due to factors	27,586	39,675	(12,089)	(30.5%)
Other financial payables	6,775	7,168	(393)	(5.5%)
Total	34,691	47,765	(13,073)	(27.4%)

IFRS16 financial payables within one year

These payables, totalling € 13,965 thousand, represent the short-term portion of the financial debt as at 31 December 2021 recorded

following application of the IFRS16 international standard. For additional information refer to note 29.

32.b - Trade payables

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to suppliers	1,637,739	1,535,067	102,671	6.7%
Payables to the Parent Company	62,462	87,634	(25,172)	(28.7%)
Payables to subsidiaries and associates	6,163	4,417	1,746	39.5%
Payables to suppliers	1,706,363	1,627,119	79,244	4.9%

Payables to third-party suppliers

Payables to suppliers amounted to € 1,637,739 thousand. The increase, of € 102,671 thousand, is attributable to the opposing effect of the increase in payables recorded in Acea Energia (+€ 205,449 thousand) referable mainly to the increase in energy and gas prices and an increase in volumes purchased and GORI (+€ 27,651 thousand) on the one hand and the decrease in the payables of areti (-€ 137,501 thousand) and Acea Ato2 (-€ 21,073 thousand) on the other. The change in the consolidation scope had an impact for € 10,588 thousand and refers mainly to Deco (+€ 6,386 thousand) and MEG (+€ 3,043 thousand). We can note that the change in *areti* is due mainly to resolution 231/2021/R/eel with which ARERA transferred collection of the ASOS tariff component (including A3), paid by the distributors, from the GSE to the CSEA. The latter, in accordance with what was already provided for by the Authority with Resolution 231, with Circular no. 23/2021/elt established that all distributors must make payment of the ASOS component starting from what is invoiced in May 2021. The resolution entailed a reallocation of the payable, which was previously recognised in payables to suppliers, to other current liabilities.

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 € 62,462 thousand and are commented on with the trade receivables in paragraph 25b of these notes.

Trade payables due to subsidiaries and associates

Trade payables to subsidiaries and associated companies amounted to € 6,163 thousand and include payables to companies consolidated using the equity method. Compared to 31 December 2020 the item shows an increase attributable to Acea Energia (+€ 2,262 thousand) and Cesap Vendita Gas (+€ 1,147 thousand) offset in part by the reduction recorded in Acquedotto del Fiora (-€ 1,681 thousand).

32.c - Tax payables

These amount to € 18,962 thousand (€ 40,217 thousand at 31 December 2020) and include the IRAP and IRES tax burden for the period. The decrease of € 21,255 thousand is mainly attributable to the Parent Company (-€ 13,969 thousand), to GORI (-€ 3,409 thousand) and to Acquedotto del Fiora (-€ 2,564 thousand).

32.d - Other current liabilities

These are equal to € 540,005 thousand and are represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to social security institutions	28,519	25,211	3,308	13.1%
Accrued expenses and deferred income	58,421	56,120	2,301	4.1%
Other current liabilities	453,065	342,818	110,247	32.2%
Total	540,005	424,150	115,856	27.3%

Payables to social security institutions

These amounted to € 28,519 thousand and show an increase of € 3,308 thousand compared to 31 December 2020, mainly attributable to Acea Elavori (+€ 1,519 thousand) and Acea Ato2 (+€ 396 thousand) and to which the change in scope generated by the acquisitions of Deco, Meg, Ecologica Sangro and AS Recycling contributes minimally, for € 235 thousand.

Accrued expenses and deferred income

This item amounted to € 58,421 thousand (€ 56,120 thousand at 31 December 2020). The increase is mainly attributable to Acea Energia (+€ 1,115 thousand), to the Parent Company for € 818 thousand and to the change in the scope attributable to Deco (+€ 1,673 thousand) and Meg (+€ 801 thousand) only partially offset by SII (-€ 1,228 thousand) and Umbria Energy (-€ 748 thousand).

Other current liabilities

These amounted to € 453,065 thousand, an increase of € 110,247 thousand compared to 31 December 2020; the item can be broken down as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to Equalisation Fund	55,721	53,183	2,538	4.8%
Payables to Municipalities for concession fees	63,223	61,407	1,817	3.0%
Payables for collections subject to verification	21,464	20,024	1,441	7.2%
Payables due to personnel	52,662	48,885	3,777	7.7%
Other payables to Municipalities	28,004	34,910	(6,906)	(19.8%)
Payables to Equitalia	2,098	2,096	2	0.1%
Welfare contribution payables	961	1,877	(916)	(48.8%)
Payables for environmental premium art. 10 of AT14 agreement of 13/08/2007	496	634	(139)	(21.8%)
Other tax payables	84,184	61,805	22,379	36.2%
Other payables	99,699	57,998	41,701	71.9%
Passive derivative instruments on commodities	44,553	0	44,553	n.s.
Other current liabilities	453,065	342,818	110,247	32.2%

The increase of € 110,247 thousand, was determined mainly by the recognition of the payable for the purchase of the remaining 35% of the equity investment in Deco for € 33,590 million and for € 9,000 by the recognition of the payable for the option deriving from the purchase of the equity investment in SIMAM and by the liabilities deriving from the measurement of the hedging derivatives on commodities of Acea Energia. Please see the item "Receivables from others" for more information.

The change in the scope was a factor in the increase owing to the consolidation of Deco (+€ 1,511 thousand) and Ecologica Sangro (+€ 608 thousand). The following also contributed to the increase: i) payables to the equalisation fund mainly attributable to Areti (+€ 6,805 thousand) and offset in part by the downward change of Acea Energia (-€ 3,361 thousand) mainly as a consequence of the determination of the amount due for the year 2021 and in a residual part for the determination of the amounts due for equalisation purposes for the years 2014-2021; ii) payables to Municipalities for concession fees the contribution of which relates to Acea Ato2 for € 1,688 thousand; iii) payables to employees, the increase in which is attributable mainly to Areti (+€ 831 thousand), GORI (+€ 831

thousand) and Acea Ato2 (+€ 411 thousand); iv) higher payables for VAT and for surcharges of Acea Energia (+€ 16,732 thousand). Finally, we can note the IFRS5 reclassification which resulted in a reduction of € 18,595 thousand.

The item "Passive derivative instruments on commodities" increased by € 44,553 thousand, due to both the change in fair value at the end of the year and the change in quantities hedged. We can note that among the "Other current assets" the item "Active derivative instruments" is recognised for € 71,678 thousand. For details on the portfolios, please see the section "Other current assets".

33. Liabilities closely associated with assets held for sale

At 31 December 2021 "Liabilities closely associated with assets held for sale" amounted to € 47,402 thousand (no value at 31 December 2020) and refer to the reclassification according to IFRS5 of the assets related to the agreement for the sale of the majority stake in the company that will hold the Acea group's photovoltaic plants (Acea Sun Capital). For more information please see the paragraphs with the details.

COMMITMENTS AND CONTINGENCIES

ENDORSEMENTS, SURETIES AND GUARANTEES

At 31 December 2021 these totalled € 450,575 thousand (€ 478,806 thousand at 31 December 2020), recording a reduction of € 28,231 thousand.

The balance is made up of:

- € 81,598 thousand for guarantees in the interest of Acea Energia mainly for Terna, Eni Trading & Shipping, ERG Power Generation, Engie (EX EDF) and ASM Terni relating to the contract for the electricity transport and dispatching 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);
- € 27,383 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants (€ 3,921 thousand), waste collection plants with electricity production (€ 6,607 thousand) and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 16,715 thousand);
- the guarantee of € 40,000 thousand in favour of Enel Trading in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- the guarantee of € 25,000 thousand for Enel Trade in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 16,286 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the “Progetto Tecnologico” contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,040 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 5,028 thousand for the guarantee issued in favour of Italgas SpA in the interest of Acea Energia, increased in January 2020;
- € 1,295 thousand relating to the bank guarantee issued by Banco Bilbao Vizcaya Argentaria in favour of the GSE for the correct fulfilment of the obligation for Acea Ambiente to make the reimbursement to the GSE;
- € 6,887 thousand relative to Acea Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UniCredit to OTAA, calculated on 10% of the three-year average of the Financial-Tariff Plan of the OTAA Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 17,412 thousand for the issue of three guarantees to Belenergia and Casamassima on behalf of Acea Sun Capital for the purchase of the Special Purpose Vehicle;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary GORI SpA;
- € 42,339 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 7,940 thousand for two bank sureties issued in favour of SEDAPAL to manage pumping stations in the city of Lima and for maintenance of the water and sewerage network in the northern zone;
- € 10,141 thousand for back-to-back guarantees issued to bank institutions after the acquisition of Trinovolt, Marche Solar, Euroline 3, M2D and PSL.

BUSINESS COMBINATIONS

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

Acquisition of control over Consorcio Agua Azul

Through Acea International, the Group holds a stake in Consorcio Agua Azul, with a 25.5% stake as at 31 December 2019. On 13 January 2020, the Group acquired an additional shareholding of 18.5%, thus increasing its shareholding to 44%. In addition, a

shareholders' agreement was signed with the shareholder Inversiones (which holds 27% of the shares), which resulted in a change of control according to IFRS10, and therefore the Company was consolidated on a line-by-line basis as from 13 January 2020.

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

Net assets acquired € thousand	Azul		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	322	0	322
Intangible fixed assets	14,965	16,156	31,121
Equity investments	0	0	0
Warehouse inventories	240	0	240
Deferred taxes	2,177	(4,766)	(2,589)
Trade receivables	1,055	0	1,055
Other receivables	76	0	76
Financial receivables	3,514	0	3,514
Cash and cash equivalents	7,011	0	7,011
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	(307)	0	(307)
Current tax assets/liabilities	(172)	0	(172)
Trade payables	(159)	0	(159)
Other payables	(358)	0	(358)
Other financial liabilities	(790)	0	(790)
Payables to banks	(2,723)	0	(2,723)
Allocated goodwill	0	0	0
Net balance	24,849	11,391	36,240
- of which attributable to third parties	0	0	(20,294)
Goodwill	0	0	4,406
Net value acquired	24,849	11,391	20,352
Net cash outflow for the acquisition			(20,352)
Cash and cash equivalents acquired			7,011
Repayment of financial payables			
Payables to banks			(2,723)
Net cash flow			(16,064)

Acquisition of Cavallari and Ferrocart Group

On 22 April 2020, through Acea Ambiente the Group acquired 60% of the companies Ferrocart and Cavallari, which in turn owns 100% of Multigreen (a company later merged into Cavallari in 2021 with effectiveness from 1 January 2021). The companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics

and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal. Note that the put options to acquire an additional 20% stake in Ferrocart and Cavallari were respectively measured at € 2,300 thousand and € 2,800 thousand.

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

Net assets acquired € thousand	Cavallari/Multigreen			Ferrocart		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	5,126	2,326	7,452	1,570	238	1,808
Intangible fixed assets	1,393	11,978	13,371	1,537	9,168	10,705
Equity investments	6	0	6	0	0	0
Warehouse inventories	66	0	66	95	0	95
Deferred taxes	51	(4,120)	(4,069)	22	(2,711)	(2,688)
Trade receivables	4,335	0	4,335	2,867	0	2,867
Other receivables	404	0	404	190	0	190
Financial receivables	157	0	157	2,600	0	2,600
Cash and cash equivalents	2,716	0	2,716	3,867	0	3,867
Employee severance indemnity and other defined benefit plans	(889)	0	(889)	(281)	0	(281)
Provisions for risks and charges	0	0	0	(820)	0	(820)
Current tax assets/liabilities	225	0	225	(144)	0	(144)
Trade payables	(2,144)	0	(2,144)	(899)	0	(899)
Other payables	(1,209)	0	(1,209)	(331)	0	(331)
Other financial liabilities	(1,089)		(1,089)	(1,147)	0	(1,147)
Payables to banks	(4,885)	0	(4,885)	(3,120)	0	(3,120)
Allocated goodwill	0	0	0	0	0	0
Net balance	4,262	10,184	14,447	6,008	6,695	12,703
- of which attributable to third parties			(5,779)			(5,081)
Goodwill			2,072			2,096
Net value acquired			10,740			9,718
Net cash outflow for the acquisition			(10,740)			(9,718)
Cash and cash equivalents acquired			2,716			3,867
Repayment of financial payables			0			0
Payables to banks			(4,885)			(3,120)
Net cash flow			(12,909)			(8,972)

Acquisition of photovoltaic companies

Starting from 2020, through Acea Sun Capital and Acea Solar, the Group has acquired a number of companies that hold photovoltaic plants. In detail during 2020 Fergas, Euroline3, IFV Energy and PF

Power for Future were acquired, while during 2021 JB Solar, PSL, M2D and Solarplant were acquired.

The operations were recognised in accordance with the Purchase Price Allocation required by the international accounting standard IFRS3.

Net assets acquired € thousand	Fergas			Euroline3		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	754	0	754	140	0	140
Intangible fixed assets	201	1,313	1,514	1,450	127	1,577
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(366)	(366)	0	(35)	(35)
Trade receivables	0	0	0	4	0	4
Other receivables	65	0	65	629	0	629
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	0	0	0	255	0	255
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	(30)	0	(30)	8	0	8
Trade payables	0	0	0	0	0	0
Other payables	0	0	0	(423)	0	(423)
Other financial liabilities	(1,113)	0	(1,113)	(2,007)	0	(2,007)
Payables to banks	0	0	0	0	0	0
Allocated goodwill	0	0	0	0	0	0
Net balance	(123)	947	823	55	91	147
- of which attributable to third parties			0			0
Goodwill			24			(54)
Net value acquired			848			92
Net cash outflow for the acquisition			(848)			(92)
Cash and cash equivalents acquired			0			255
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(847)			163

	IFVE			PFPF		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Net assets acquired € thousand						
Tangible fixed assets	0	0	0	0	0	0
Intangible fixed assets	2,562	882	3,444	5,217	759	5,976
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(254)	(254)	0	(219)	(219)
Trade receivables	88	0	88	124	0	124
Other receivables	1,251	0	1,251	2,019	0	2,019
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	295	0	295	264	0	264
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	(5)	0	(5)	(2)	0	(2)
Trade payables	(94)	0	(94)	(67)	0	(67)
Other payables	(406)	0	(406)	(5,014)	0	(5,014)
Other financial liabilities	(2,906)	0	(2,906)	(2,417)	0	(2,417)
Payables to banks	0	0	0	0	0	0
Allocated goodwill	0	0	0	0	0	0
Net balance	786	628	1,414	125	540	665
- of which attributable to third parties			0			0
Goodwill			3			(13)
Net value acquired			1,417			652
Net cash outflow for the acquisition			(1,417)			(652)
Cash and cash equivalents acquired			295			264
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(1,121)			(388)

Net assets acquired € thousand	JB Solar			PSL		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	2,447	0	2,447	2,391	0	2,391
Intangible fixed assets	715	524	1,239	307	40	346
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(151)	(151)	0	(11)	(11)
Trade receivables	0	0	0	12	0	12
Other receivables	1	0	1	1	0	1
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	22	0	22	20	0	20
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	0	0	0	0	0	0
Trade payables	0	0	0	0	0	0
Other payables	(318)	0	(318)	0	0	0
Other financial liabilities	(281)	0	(281)	(238)	0	(238)
Payables to banks	0	0	0	(478)	0	(478)
Statutory goodwill	959	(548)	411	0	0	0
Net balance	3,544	(175)	3,369	2,014	28	2,042
- of which attributable to third parties			0			0
Goodwill			0			111
Net value acquired			3,369			2,153
Net cash outflow for the acquisition			(3,369)			(2,153)
Cash and cash equivalents acquired			22			20
Repayment of financial payables			0			0
Payables to banks			0			(478)
Net cash flow			(3,347)			(2,611)

Net assets acquired € thousand	M2D			Solarplant		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	2	0	2	1,054	0	1,054
Intangible fixed assets	1,434	180	1,614	0	1,858	1,858
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	(5)	(52)	(56)	0	(535)	(535)
Trade receivables	225	0	225	0	0	0
Other receivables	548	0	548	59	0	59
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	47	0	47	531	0	531
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	0	0	0	(3)	0	(3)
Trade payables	(109)	0	(109)	(8)	0	(8)
Other payables	0	0	0	0	0	0
Other financial liabilities	(1,634)	0	(1,634)	(119)	0	(119)
Payables to banks	0	0	0	0	0	0
Statutory goodwill	0	0	0	0	0	0
Net balance	507	128	635	1,513	1,323	2,836
- of which attributable to third parties			0			0
Goodwill			(85)			45
Net value acquired			550			2,881
Net cash outflow for the acquisition			(550)			(2,881)
Cash and cash equivalents acquired			47			531
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(503)			(2,350)

Acquisition of SIMAM

On 7 May 2020 the Group acquired 70% of SIMAM, a leader in the design, construction and management of water and waste treatment plants and in environmental interventions and remediation, with integrated solutions of high technological content.

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

Net assets acquired € thousand	SIMAM		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	8,351	0	8,351
Intangible fixed assets	233	3,500	3,733
Equity investments	42	0	42
Warehouse inventories	5,861	0	5,861
Deferred taxes	272	(1,024)	(751)
Trade receivables	3,985	0	3,985
Other receivables	1,737	0	1,737
Financial receivables	0	0	0
Cash and cash equivalents	4,426	0	4,426
Employee severance indemnity and other defined benefit plans	(1,530)	0	(1,530)
Provisions for risks and charges	(579)	0	(579)
Current tax assets/liabilities	0	0	0
Trade payables	(2,922)	0	(2,922)
Other payables	(6,660)	0	(6,660)
Other financial liabilities	(6,746)	0	(6,746)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	6,469	2,476	8,946
- of which attributable to third parties			(2,684)
Goodwill			15,597
Net value acquired			21,859
Net cash outflow for the acquisition			(21,859)
Cash and cash equivalents acquired			4,426
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(17,434)

Acquisition of Electric Drive Italia

On 19 May 2020, through Acea Innovation the Group acquired 100% of the company Electric Drive Italia, a company that promotes the development of electric mobility through advanced IT solutions.

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

Net assets acquired	EDI		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
€ thousand			
Tangible fixed assets	40	0	40
Intangible fixed assets	63	946	1,009
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	2	(272)	(270)
Trade receivables	111	0	111
Other receivables	24	0	24
Financial receivables	0	0	0
Cash and cash equivalents	186	0	186
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	(13)	0	(13)
Trade payables	(18)	0	(18)
Other payables	(73)	0	(73)
Other financial liabilities	(215)	0	(215)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	108	674	782
- of which attributable to third parties			0
Goodwill			759
Net value acquired			1,541
Net cash outflow for the acquisition			(1,541)
Cash and cash equivalents acquired			186
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(1,355)

Acquisition of Energia SpA

On 13 May 2020, through Acea Sun Capital, the Group acquired a 49.9% non-controlling stake in the company Energia SpA. This company operates in the design, construction, management and maintenance of plants for the production of electricity, including from renewable sources. Additionally, as of the acquisition date, the company owns two subsidised photovoltaic plants (IV Energy

Grant), with net power of around 7.6 MW, installed in Nepi and Spoleto.

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

Net assets acquired € thousand	Energia SpA		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	10,282	0	10,282
Intangible fixed assets	0	7,948	7,948
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	(2,291)	(2,291)
Trade receivables	649	0	649
Other receivables	975	0	975
Financial receivables	0	0	0
Cash and cash equivalents	189	0	189
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(99)	0	(99)
Other payables	(130)	0	(130)
Other financial liabilities	(1,380)	0	(1,380)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	10,486	5,657	16,143
- of which attributable to third parties			(8,088)
Goodwill			4,499
Net value acquired			12,555
Net cash outflow for the acquisition			(12,555)
Cash and cash equivalents acquired			189
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(12,365)

Alto Sangro Distribuzione Gas acquisition

On 31 August 2020, the Parent Company finalised the acquisition of a 51% equity investment in Alto Sangro Distribuzione Gas Srl, a company operating in the gas distribution sector, for a total price of € 19,732 thousand. We can note that, on 3 August 2021, Pescara Distribuzione Gas was merged into Alto Sangro, which at the

same time changed its name to Alto Sangro Distribuzione Gas. The merger has accounting and tax effects backdated to 1 January 2021. The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	Alto Sangro Distribuzione Gas (AdistribuzioneGas)		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	25,347	0	25,347
Intangible fixed assets	5	8,862	8,867
Equity investments	106	0	106
Warehouse inventories	0	0	0
Deferred taxes	793	(2,552)	(1,759)
Trade receivables	887	0	887
Other receivables	1,615	0	1,615
Financial receivables	0	0	0
Cash and cash equivalents	931	0	931
Employee severance indemnity and other defined benefit plans	(110)	0	(110)
Provisions for risks and charges	(261)	0	(261)
Current tax assets/liabilities	0	0	0
Trade payables	(1,937)	0	(1,937)
Other payables	(1,928)	0	(1,928)
Other financial liabilities	0	0	0
Payables to banks	(449)	0	(449)
Allocated goodwill	0	0	0
Net balance	24,997	6,309	31,307
- of which attributable to third parties			(15,340)
Goodwill			3,766
Net value acquired			19,732
Net cash outflow for the acquisition			(19,732)
Cash and cash equivalents acquired			931
Repayment of financial payables			0
Payables to banks			(449)
Net cash flow			(19,251)

Acquisition of control over SII

The Parent Company holds a 99.2% stake in Umbriadue, which in turn holds a 25.5% stake in SII, which is a joint stock consortium which was awarded, through the signing of the Agreement, management of the Integrated Water Service for AURI Umbria subsection 4 for 30 years, that is from 31 December 2001 through 31 December 2031. On 16 November 2020, the Group acquired an additional shareholding of 15.5%, thus increasing its shareholding

to 40%. In addition, the changes to the governance structure have resulted in a change of control on the basis of IFRS10, and, therefore, the Company was consolidated on a line-by-line basis as from 17 November 2020.

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

Net assets acquired € thousand	SII		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	51,192	0	51,192
Intangible fixed assets	36,409	6,832	43,241
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	381	(1,968)	(1,586)
Trade receivables	44,928	0	44,928
Other receivables	663	0	663
Financial receivables	56	0	56
Cash and cash equivalents	1,993	0	1,993
Employee severance indemnity and other defined benefit plans	(198)	0	(198)
Provisions for risks and charges	(367)	0	(367)
Current tax assets/liabilities	0	0	0
Trade payables	(5,689)	0	(5,689)
Other payables	(56,507)	0	(56,507)
Other financial liabilities	(37,821)	0	(37,821)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	35,040	4,864	39,904
- of which attributable to third parties			(23,943)
Revaluation of previously owned share			(5,283)
Goodwill			305
Net value acquired			10,984
Net cash outflow for the acquisition			(10,984)
Cash and cash equivalents acquired			1,993
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(8,991)

We can note that the stake previously held was revalued, in line with the provisions of IFRS3, through the recognition of income of € 5,283 thousand.

Belaria acquisition

On 21 July 2020, Acea Sun Capital finalised the acquisition of a 49% non-controlling interest in Belaria Srl, for the price of € 4,133 thousand, of which € 4,900 to purchase the stake in the share capital and the remaining portion as a financial receivable.

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

Net assets acquired € thousand	Belaria		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	0	0	0
Intangible fixed assets	2	0	2
Equity investments	9,106	23	9,129
Warehouse inventories	0	0	0
Deferred taxes	0	(3)	(3)
Trade receivables	0	0	0
Other receivables	17	0	17
Financial receivables	0	0	0
Cash and cash equivalents	6	0	6
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	(3)	0	(3)
Trade payables	(28)	0	(28)
Other payables	(726)	0	(726)
Other financial liabilities	(8,387)	0	(8,387)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	(12)	20	7
- of which attributable to third parties			(4)
Goodwill			672
Net value acquired			675
Net cash outflow for the acquisition			(675)
Cash and cash equivalents acquired			6
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(669)

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

Deco acquisition

On 30 November 2021 Acea Ambiente acquired 65% of Deco, a waste management company whose activities also include the construction and operation of the relevant plants; in addition the

agreement provides for the purchase of a further 35% in January 2023 without conditions precedent or clauses that could lead to the purchase not being considered reasonably certain. Therefore it is considered that as of now all the risks and benefits have been transferred to Acea Ambiente for the 100% equity investment. Consequently in line with what is provided for in the international accounting standards the 100% equity investment was immediately consolidated. The transaction currently being analysed was allocated provisionally as presented below.

Net assets acquired € thousand	Deco		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	21,635	0	21,635
Intangible fixed assets	129	56,354	56,483
Equity investments	20,122	0	20,122
Warehouse inventories	667	0	667
Deferred taxes/Tax Credits	318	(16,241)	(15,924)
Trade receivables	5,960	0	5,960
Other receivables	1,362	0	1,362
Financial receivables	2,979	0	2,979
Cash and cash equivalents	12,617	0	12,617
Employee severance indemnity and other defined benefit plans	(70)	0	(70)
Provisions for risks and charges	(18,120)	0	(18,120)
Current tax assets/liabilities	0	0	0
Trade payables	(4,994)	0	(4,994)
Other payables	(3,353)	0	(3,353)
Other financial liabilities	(13,498)	0	(13,498)
Payables to banks	(201)	0	(201)
Allocated goodwill	0	0	0
Net balance	25,555	40,113	65,668
- of which attributable to third parties			0
Goodwill			30,322
Net value acquired			95,990
Net cash outflow for the acquisition			(95,990)
Cash and cash equivalents acquired			12,617
Repayment of financial payables			0
Payables to banks			(201)
Net cash flow			(83,574)

MEG acquisition

On 14 October 2021 Acea Ambiente acquired 60% of Meg, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants;

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

€ thousand

Net balance	3,353
- of which attributable to third parties	(1,341)
Goodwill/(Badwill)	4,145
Net value acquired	6,157
 Net cash outflow for the acquisition	 (6,157)
Cash and cash equivalents acquired	708
Loan Disbursement	0
Payables to banks	(497)
Net cash flow	(5,946)

AS Recycling acquisition

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

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	1,468
- of which attributable to third parties	(147)
Goodwill/(Badwill)	1,522
Net value acquired	2,843
 Net cash outflow for the acquisition	 (2,843)
Cash and cash equivalents acquired	2
Loan Disbursement	0
Payables to banks	0
Net cash flow	(2,840)

INFORMATION ON IFRS5

SCOPE OF THE TRANSACTION

The scope being transferred was achieved through a corporate re-organisation operation and more precisely through operations involving the contribution of business units made up of photovoltaic plants and transfers of intragroup equity investments to Acea Sun Capital. In detail during 2021 the following operations were carried out, in relation to the first closing:

- in July 2021, Acea Sun Capital transferred the equity investment that it held in Energia to Acea Produzione for the book value of € 24,530 thousand; the transfer occurred because the equity investment in Energia is not included in the Energy Box scope;
- in November 2021, Acea Produzione contributed to Acea Green 6 secondary plants for a value of € 8,668 thousand. Subsequently the equity investment in Acea Green held by Acea Produzione was transferred to Acea Sun Capital for the related countervalue of € 8,678 thousand;
- on 3 December 2021, Acea Solar contributed 10 primary plants to Fergas Solar for a value of € 8,042 thousand. The equity investment in Fergas Solar held by Acea Solar was then transferred to Acea Sun Capital for the related countervalue of € 23,721 thousand;
- on 23 December 2021, Acea Produzione contributed the Valle Galeria plant to Acea Renewable. We can note that Acea Renewable will be part of the second closing; however as the condition precedent has already been fulfilled it is included in the scope of transfer at 31 December 2021.

On 19 January 2022 AE Sun Capital ("Holdco") was set up by Acea Produzione and the Investor, with an initial share capital of € 10 thousand. The "Holdco" will purchase during 2022 100% of the equity investment in Acea Sun Capital, with the methods already described in the paragraph "Application of the standard IFRS5".

Further evaluative and supplementary information is provided below.

MEASUREMENT OF THE OPERATION AND ACCOUNTING EXPOSURE

In line with the provisions of IFRS5 the assets and liabilities disposed of in the Operation were measured at the lower between carrying amount and fair value net of costs to sell. The fair value of the operation was estimated taking as a reference the contractual sale agreements in being with the investor Equitix, which provide for a price determined through a locked box mechanism, of € 220.3 million, equivalent to the equity value.

The price determined for the operation is defined as a lump sum and the difference between the carrying amount and the fair value less costs to sell did not show possible write-downs; the potential capital gain deriving from the entire operation is currently estimated at approximately € 33 million.

As regards instead the accounting exposure, as already described in the paragraph "Application of the standard IFRS5", in the present Consolidated Financial Statements the assets and liabilities closely associated with the group held for sale were measured and presented in the 2021 balance sheet in two specific items of the financial situation, that is, assets held for sale and liabilities closely associated with assets held for sale.

We can remind you that neither IFRS5 nor IAS 1 provide indications on the methods of presenting transactions between Continuing and Discontinued Operations. The method chosen led to presenting the reclassification of the asset and liability financial balances with the values net of the elimination of intragroup transactions, while the economic items were presented in continuity with the previous year.

The contribution of the operation to the equity and financial situation of the Acea Group is presented below:

	Effect of application of IFRS5
ASSETS	
Tangible fixed assets	79,503
Real estate investments	0
Goodwill	1,974
Concessions	3,972
Intangible fixed assets	31,352
Copyright	18,167
Equity investments in unconsolidated subsidiaries and associates	1,099
Other equity investments	176
Deferred tax assets	(5,203)
Financial assets	7,036
Other assets	4,292
NON-CURRENT ASSETS	142,368
Inventories	0
Trade receivables	9,139
Other current assets	3,655
Current tax assets	336
Current financial assets	555
Cash and cash equivalents	12,374
CURRENT ASSETS	26,057
Non-current assets destined for sale	168,425

	Effect of application of IFRS5
LIABILITIES	
Staff termination benefits and other defined benefit plans	
Provision for liabilities and charges	(436)
Borrowings and financial liabilities	(20,551)
Other liabilities	0
NON-CURRENT LIABILITIES	(20,987)
Borrowings	(4,331)
Payables to suppliers	(1,874)
Tax payables	(471)
Other current liabilities	(19,739)
CURRENT LIABILITIES	(26,415)
Liabilities closely associated with assets held for sale	47,402

	Effect of application of IFRS5
CASH FLOW STATEMENT	
A. Cash flow from operating activities	3,962
B. Cash flow from investment activities	(3,189)
C. Cash flow from financing activities	0
D. Net cash flow of the year (A + B + C)	772
E. Cash and cash equivalents at the beginning of the year	11,601
F. Cash and cash equivalents at the end of the year	12,374

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 OTA 4 Ternano–Orvietano through Acea Ambiente.

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

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

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

Finally, note that since 2019, the Acea Group also distributes gas in Abruzzo, in the provinces of Pescara and Aquila.

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

PUBLIC LIGHTING - ROME

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

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

Furthermore, the investments required for the service may be (i) applied for and funded by the Municipality or (ii) financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Upon natural or early expiry — also due to cases envisaged under Decree Law no. 138/2011 — Acea will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator. Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the

contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which Acea has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

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

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

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at € 48.0 million for the entire LED Plan. The agreement calls for the payment of 10% of the price to be paid in advance and the remaining part on the basis of specific bimonthly progress certificates, to be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project.

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

We can inform you finally that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and 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 SpA. On 8 February 2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. With the same note, which, in any event, does not affect the Administration’s intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea’s ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables and to adopt resolutions for the ac-

knowledge 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, most of the unpaid amount related to previous years was paid by Roma Capitale.

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

INTEGRATED WATER SERVICE

Lazio - Acea Ato2 SpA (OTA 2 - Central Lazio - Rome)

Acea Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the OTA comprising 112 Municipalities, including Roma Capitale). On 14 July 2021 with Regional Council Resolution no. 10, which followed Regional Executive Resolution no. 752 of 3 November 2020 on the same subject, Optimal Territorial Area no. 2, Central Lazio-Rome, was modified including in it the Municipality of Campagnano di Roma, which previously belonged to OTA no. 1 North Lazio-Viterbo.

In this way the total number of Municipalities of OTA 2 went up from 112 to the current 113. We can inform you in fact that the drinking water service of the Municipality of Arsoli was acquired with effect from 1 December 2021, while the acquisition of the sewerage service will be carried out subject to the condition precedent laid down in the same Report.

In return for award of the concession, Acea Ato2 pays a fee to all the Municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for Municipalities already taken over) has been completed for 97 Municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT 2011).

With Resolution 197/2021/R/idr dated 11 May 2021, ARERA approved the tariff provisions for the third regulatory period (four-year period 2020-2023), adopted by the Mayors' Conference of OTA 2 Central Lazio - Rome Ato 2 SpA with Resolution 6/20 at the meeting of 27 November 2020. Pending approval by the Authority, the tariff prepared by the Governing Body in compliance with paragraph 7.3, letter b) of Resolution ARERA 580/2019/R/idr (MTI-3), was applied.

The main points of the tariff provision are as follows:

- Placing of the management in the regulatory scheme related to the 5th quadrant pursuant to paragraph 5.1 of Annex A (MTI-3) of Resolution 580/2019/R/idr (high investments with respect to the value of the existing infrastructures and average per-capita Guaranteed Revenue Constraint (GRC) higher than the national average figure determined by ARERA);
- Works programme for the four-year period 2020-2023 for over € 1,300 million, with new investments for around € 90 per capita per year; an additional amount of € 3,200 million is envisaged for the subsequent period 2024-2032;
- Tariff multiplier theta (to be applied to the tariff in force at 31 December 2015) of 1.020 for 2020, 1.078 for 2021 and for the following two years of 1.139 and 1.202 respectively. The theta

multipliers for 2022 and 2023 may be redetermined following the biannual update, as provided in article 6 of Resolution 580/2019/R/idr;

- Use of what is not spent of the solidarity contribution collected in the whole of 2019 (more than € 5.6 million) to reduce the tariff adjustments due for 2020 and 2021;
- Adoption 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);
- Portion as per paragraph 36.3 of Annex A of Resolution 580/2019/R/idr, aimed at integrating the national mechanism to improve the quality of the integrated water system (to be paid to CSEA and included in billing documents with the relevant reason) of € 0.4 cents/mc applied to water pipeline, sewerage and purification volumes with effect from 01 January 2020.

After the tariff approval by ARERA, in July the Operational Technical Secretariat accepted the prescriptions expressed in Resolution 197/2021/R/idr, in particular adjusting to the Authority's prescriptions the RDT (Tariff Data Collection) calculation file and, for consistency, the accompanying Report and that related to quality objectives and Action Plan/Strategic Works Plan. The main changes consist of a variation in distribution of some Guaranteed Revenue Constraint (GRC) components for the years 2022 and 2023 and the updating of the calculation methods for some technical quality indicators. However, there is no change in the tariff multiplier values for the 2020-2023 four-year period compared to what was approved by the Mayors' Conference.

The aforementioned resolution of the Conference of Mayors no. 6/2020 also updated the implementation regulation for the integrated water bonus for the OTA 2 Central Lazio - Rome. As extraordinary measures and up to 31 December 2021 (unless extended), the new provisions introduced allow users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA exclusively to cover earlier arrears, in addition to the ordinary amount to have access to a further once-off amount up to three times the ordinary value.

Those entitled are direct users (holders of a residential household account) and indirect users (household users in an apartment complex) with the following requisites:

- ISEE indicator up to € 13,939.11 and household of up to 3 members;
- ISEE indicator up to € 15,989.46 and household with 4 members;
- ISEE indicator up to € 18,120.63 and household with 5 or more members.

Under their own responsibility and based on specific certification by the relevant offices, the Municipal Administrations also have the power to authorise the supply for individual users in situations of proven particular economic/social hardship, increasing the ISEE threshold for admission for this specific case.

The amount of the "local" bonus, consisting of the payment of a once-off annual contribution recognised in the bill (in the case of indirect users in the apartment building utility bill), is calculated as the expenditure corresponding to the fixed and variable fees for water, sewerage and purification for a consumption of up to 40 cubic metres per year for each member of the household, for direct and indirect users with ISEE up to € 8,265 and 20 cubic metres

per year for each member of the household for other eligible users, based on the tariff in force during the reference year. The bonus is valid for one year and is paid in a single payment, normally within 6 months from the date of submission of the application.

It is worth noting finally the approval, with Mayors' Conference Resolution no. 4-21 of 1 July 2021, of the Regulations for users of the integrated water service in OTA 2 Central Lazio – Rome, updated with the supplements necessary to implement the legislative innovations introduced *ope legis*.

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

With regard to **Resolution 643/2013**, it should be noted that on 8 May 2014 additional grounds were presented for the cancellation of ARERA decisions no. 2 and no. 3. On 9 December 2014 additional grounds were presented for the cancellation of Resolution 463/2014/R/idr. Pending the scheduling of the hearing, in April 2019 the notice of the hearing was received (the administrative process was cancelled due to the inactivity of the party). Following this communication, on 20 June 2019 Acea Ato2 presented the request for the scheduling of the hearing together with the new power of attorney signed by the Chairperson. The hearing was therefore set for 22 February 2022.

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** which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are Acea ato5, Acea Molise srl and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/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.

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 in keeping with the 2020-2022 tariff arrangement approved by the Mayors' Conference of OTA 2 on 27 November 2020 and by ARERA on 11 May 2021. It is noted that, after the tariff approval by ARERA, in July 2021 the Operational Technical Secretariat accepted the prescriptions expressed in Resolution 197/2021/R/idr, in particular adjusting the RDT (Tariff Data Collection) calculation file to the Authority's prescriptions and, for consistency, doing likewise with the accompanying Report and the report on quality objectives and the Action Plan/Strategic Works Plan.

For the purposes of calculating the revenues accruing to financial year 2021 we took into account the interpretation regarding the delimitation of the "other water activities" that emerges from the aforementioned Resolution on the 2020-2023 tariff preparation. Therefore the revenues of the period amounted to € 677.6 million: they include the estimate of adjustments to pass-through items, the FoNI component of € 69.5 million (€ 56.1 million for the FNI component and € 13.4 million for the Amm.Foni).

Lazio - Acea Ato5 SpA (OTA 5 - Southern Lazio - Frosinone)

Acea Ato5 provides integrated water services on the basis of a 30-year agreement signed on 27 June 2003 by the Company and 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 **201,878**.

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 229 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).

With regard to 2021, the digitisation of the networks of the managed area continued, with the inclusion of data in the GIS - Geographic Information System. According to the 2019-2022 plan for significant activities, as at 31 December 2021 the size of the water network is 6,027 total km (1,207 km supply +4,820 km distribution).

With regard to the acquisition of the plants relating to the management in the Municipality of Paliano, in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was "limited to a period of three years from the date of signing of the Management Agreement between OTAA 5 and Acea Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA's management was to be 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 OTAA 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the prepara-

tory activities for the transfer to Acea Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties — with minutes 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 IWS.

To date, the parties are sharing the IWS handover report, which should also result in the waiver of pending litigation between them. The Parties subsequently held other meetings 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. However, the Municipality has not provided all the requested information. Acea Ato5 informed the OTS of this situation on 3 December 2020, and, in the meantime, on 15 December 2020 the Lazio Region also requested clarifications from the Municipality of Paliano and the Area Authority regarding the non-completion of the operations to transfer the Integrated Water Service to Acea Ato5, warning that in the event of failure to comply with this obligation, procedures would be initiated for the application of substitute powers pursuant to art. 172, paragraph 4 of Italian Legislative Decree no. 152/2006, as amended. The Municipality of Paliano requested an extension to the deadline of thirty days assigned by the Lazio Region. We are therefore awaiting the initiative of the Municipality of Paliano and the Area Authority required to finalise the transfer of the IWS of the Municipality of Paliano.

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

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.

With reference to the **Tariffs**, on 10 March 2021, the OTAA 5 Mayors’ Conference approved the tariff proposal for 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. Relative to the **tariff multiplier** note that the Tariff Structure approved by OTAA 5 established a tariff multiplier with the following problems:

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million, as resulting from OTAA resolution no. 6 of 13 December 2016 and no. 7 of 1 August 2018;
- the amount of the adjustments included by OTAA5 in the aforesaid structure (approximately € 51 million represented in Rctot and approximately € 50 million in the Residual Value component is not integrated into the formula that determines the tariff multiplier for the respective years (2023-2024); the residual portion up to 101 million was represented in the Residual Value, preventing in practice immediate invoicing;
- the reduction of operating costs (of € 3,315 thousand for both the years 2018-2019) made on years for which Acea Ato5 has already incurred the related expense (costs in the 2018 and 2019 financial statements), entails a financial loss of the same amount, as the tariff change that has to be applied — for the respective years — is less than that applied starting from 1 January 2020 (in accordance with the provisions of art. 7.2 letter a of ARERA resolution 580/2019/R/idr);
- it does not provide for adequate coverage of the operating costs incurred by the Operator;
- it does not apply a congruous indemnity rate for existing receivables.

As is known, following the tariff scenario approved by Resolution no. 1 of 10 March 2021 of the OTAA 5 Mayors’ Conference and referred to in ARERA Resolution no. 580/2019/R/idr of 27 December 2019, the company has put in place two separate actions:

- Appeal against this resolution 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 arts. 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/R/idr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed the sentence before the Council of State.

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 OTA 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, making use of qualified external consultants. As of the date of preparation of this report, there are no elements that can be used to predict the outcome of the request.

Revenues for the integrated water service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/ldr of 27 December 2019 and amount to € 80.8 million, including the estimate of adjustments for pass through items and the FoNI component of € 9.1 million.

Tariff adjustments amount to € 100.2 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for the years 2012-2017 and the subsequent tariff update of 1 August 2018 by the AGB.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the Acea Ato5 SpA subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution No. 1 of 10 March 2021 of the Conference of Mayors of OTAA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the company has succeeded in managing the financial situation highlighted in the 2020 budget, partially mitigating the financial imbalance.

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 OTAA 5.

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 OTAA 5, 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 2012-2017, 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 (€ 10,700,000.00) – 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 dam-

age suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regard 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 OTAA 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 OTA 5, 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 € 10,167,000.00 — the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000.00;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 — the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 — the Board proposes recognition of this claim in favour of the Operator.

The “Conciliation Proposal” and the draft “Conciliation Deed” were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the OTS of 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. Based on the information available, considering the approval of the Concilia-

tion Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, at the end of 2019 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 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 2012-2017, 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 2012-2017 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. As of the date of this report, no response to this note has been received from the OTS of the AGB.

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 2021 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 reference to additional cases related to legal disputes, filed or being filed, see the “*Update on major disputes and litigation*” section of this document”.

Acea Molise

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

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
 - direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA 2 Lazio);
 - operation of the purification plant in the Municipality of Valmontone (OTA 2 Lazio).

The Termoli and Campagnano concessions expired at the end of 2021 and were extended by the authorities to 30 June 2022 for the Termoli municipality and to 31 December 2022 for the Campagnano municipality, for the time necessary to activate the procedures for takeover and handover to the new Manager.

The Service Contract with the Municipality of Valmontone expires in April 2022.

Since 1993, the company has managed the water service in the **Municipality of Termoli** and, since 1999, also the urban waste water purification service, by virtue of the relevant agreements no. 170 of 30 June 1993 and no. 778 of 18 January 1999.

At the request of the Manager, Acea Molise, in 2019, the said Conventions were revised by the Municipality of Termoli, with the aim of standardising the management of the entire water sector in the city in a single document, and of adapting the contractual regulatory framework to the changes in the sector over time, in particular, to the standard convention approved by ARERA with Resolution no. 656/2015/R/ldr of 23 December 2015.

On 17 December 2019, the Municipality of Termoli, with Council Resolution no. 299, approved the new revised Management Agreement according to the scheme of the ARERA standard Agreement. Further, in June 2021, the senior management of Acea Molise Srl favourably considered the opportunity to prepare and submit to the Municipality of Termoli (CB), as promoter, a “Finance Project for the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli”. The Company’s administrative and technical departments then prepared the Finance Project, and it was officially submitted to the Termoli Municipality on 1 October 2021. Subsequently, on 9 December 2021, by means of Council Resolution no. 276, the Municipality of Termoli positively assessed the submitted Private Finance Project, declaring it to be of public interest. Under the conditions described, the Integrated Water Service carried out by Acea Molise, which expires on 31 December 2021, will be technically extended for the time necessary to carry out the relevant tender. For the purpose of business continuity, it is recalled that in the event that more economically advantageous tenders are submitted during the tender, Acea Molise, as promoter of the Project, has the right of pre-emption.

The concessionary management of the drinking water distribution service of the **Municipality of Campagnano** was entrusted in 1991 and extended in 2000 to the entire Integrated Water Service following a review of the pre-existing concession. Since this is a safeguarded management pursuant to art. 10, paragraph 3 of Law 36/94 and Regional Law (Lazio Region) no. 6/96 art. 12, as amended, the concession has reached its natural expiry date of 31

December 2020.

The handover of management from Acea Molise to the Single Area Manager in 2021 was not carried out for the following reasons.

By Regional Law no. 6 of 22 January 1996, the municipality of Campagnano di Roma was included in OTA 1 Lazio North-Viterbo, whose sole manager is the company Talete SpA. However, the Municipality of Campagnano, by means of Municipal Council resolution no. 5 of 23 April 2015, submitted a formal request to Lazio Region to amend the Optimal Territorial Areas, in order to allow the transfer of the Municipality of Campagnano di Roma from OTA1 North Lazio-Viterbo to OTA 2 Central Lazio-Rome, whose sole manager is Acea Ato2.

With Resolution no. 752 of 3 November 2020, the Lazio Regional Council ordered the modification of the delimitation of Optimal Territorial Area no. 1 North Lazio-Viterbo by eliminating the municipality of Campagnano di Roma and including it in Optimal Territorial Area no. 2 Central Lazio-Rome.

This Resolution of the Regional Council concerning the transfer from OTA 1 to OTA 2 requires subsequent ratification by the Regional Council in order to become effective.

On 9 December 2020, in anticipation of the natural expiry of the Convention for the Management of the Integrated Water Service of the Municipality of Campagnano di Roma, Acea Molise with note ref. 21308, wrote to the concerned authority (the Municipality of Campagnano, the OTS of OTA 2, ARERA, and Acea Ato2) about the methods and procedure to be followed for the takeover of the new Area Manager, and the criteria for determining and paying the reimbursement value to the outgoing Manager. Pending ratification by the Regional Council, on 29 December 2020, the Municipality of Campagnano di Roma, by means of Municipal Council Resolution no. 73, extended the management of the integrated water service by Acea Molise under the same terms and conditions as the pre-existing agreement, for a period of six months (i.e. until 30 June 2021), which is considered the minimum time necessary to settle the events described.

On 14 July 2021, the Regional Council of Lazio Region, with resolution no. 10, ratified the transfer of the Municipality of Campagnano di Roma from OTA 1 North Lazio-Viterbo to OTA 2 Central Lazio-Rome.

Having acknowledged the ratification by the region, the Municipality of Campagnano di Roma, by resolution of the Extraordinary Commissioner No. 12 of 6 August 2021, extended the management of the integrated water service by Acea Molise, under the same terms and conditions as the pre-existing agreement, for a further six months, i.e. until 31 December 2021, to allow the completion of the transfer of the area and the handing over of the service to the sole manager Acea Ato2.

Despite the commitment of the parties involved in the handover of management, on 14 December 2021, by letter ref. 37728, the mayor of the municipality of Campagnano di Roma, in view of the complexity of the administrative and technical procedures for joining OTA 2, asked Acea Molise to continue to manage the integrated water service in the municipality for another year, i.e. until 31 December 2022, which is a reasonable estimate for the conclusion of the transfer of management to Acea Ato2. At the same time, it asked Acea Molise to be willing to manage the municipal arsenic treatment plant (drinking water treatment plant) from 1 January 2022, subject to tariff adjustment.

On 20 December 2021, with a letter ref. 24984, Acea Molise Srl has declared that it is willing to continue the municipal integrated water service for another year and to extend its management by taking over the drinking water treatment plant.

With regard to the management of the **Valmontone Purification Plant**, it should be noted that this is carried out regularly, despite the fact that the plant requires significant extraordinary maintenance and renovation work, which has been requested several times from the municipality, as provided for in the contract, but which has not yet been carried out, because the municipality has not commented on the manager's proposals. It should be noted that the Company operates the plant and is remunerated on an annual basis.

For some of the more urgent aspects, such as the upgrading of the plant for the purposes of worker safety, the Company has taken direct action both through purchases/maintenance work and by adopting suitable working procedures; where possible, also in relation to the provisions of the concession, the Municipality has been asked to recognise the corresponding amounts. It should be noted that the plant is part of Optimal Territorial Area no. 2 of Lazio Region for the management of the Integrated Water System, entrusted to the company Acea Ato2. In agreement with the Rome Province Area Authority, Acea Ato2 has taken over only the water service in the Municipality of Valmontone, but not yet the sewerage and purification systems, which will soon undergo modernisation work. Upon completion of the same, Acea Ato2 will take over the entire service, and therefore also the management of the purification plant assigned to the Company.

Campania - GORI SpA (Sarnese Vesuviano)

GORI provides integrated water services in 76 Municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. GORI pays a fee to the grantor of the concession (the Sarnese Vesuviano Area Authority), based on the date the right to manage the related services is effectively acquired. The area of operations has remained unchanged compared to the previous year, since the process of acquiring management is now complete. In fact, 76 Municipalities are managed, i.e. all those falling under OTA 3 in the Campania Region.

2020-2023 Regulatory Framework

On 12 August 2021, the Executive Committee of the Authority definitively approved the 2020-2023 Regulatory Framework for the operator GORI SpA with Resolution No 35; also on 12 August 2021, the offices of the CWA then sent the regulatory framework to ARERA via the IT procedure. Under this CWA-approved regulatory framework, a Theta of 1 is provided for the years 2020, 2021 and 2023 and a Theta increase of 2.4 is provided for the year 2022.

In the resolution in question, the CWA also decided to postpone any further and final determination regarding possible corrective measures on the regulatory frameworks referring to previous periods not considered in the approved proposal, in order to wait for the measures that ARERA will have to take in execution of the provisions established by the ruling of the Council of State, Sixth Section, no. 5309/2021 of 13 July 2021; more specifically, the Council of State ordered ARERA to renew the preliminary investigation underlying the tariff determinations approved by the same ARERA with Resolution no. 104/2016/R/idr concerning the "approval for the purposes of establishing the value of adjustments in the context of the tariff method for the second regulatory period MTI-2, tariff provisions regarding the Sarnese-Vesuvian optimal territorial area, for the 2012-2015 period", without prejudice to the fact that "renewal of the enquiry has no constrained content; it could end obviously in confirma-

tion of the tariff decision cancelled herein only for insufficient enquiry". Therefore, with Resolution no. 373/2021/R/idr of 7 September 2021 and the subsequent Resolution no. 18/2022/R/idr of 18 January 2022, ARERA started the procedure for the renewal of the aforementioned enquiry, at the end of which it must adopt the final measure by 15 March 2022, due to the extension of the term intervened with the aforementioned Resolution no. 18/2022/R/idr. Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority ("CWA") — at the specific request of the Authority and in response to the requirements of Council of State Sentence no. 5309/2021 — has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI SpA ("GORI" or "Operator" or "Company") effectively implemented the Area Plan up to the end of 2011 in accordance with the provisions of sector-specific legislation. Consequently, on the basis of the EIC's findings to date, one could justifiably exclude — at least in theory — any reduction in the tariff increases established by ARERA's Resolution 104/2016/R/idr.

Revenue as at 31 December 2021, amounting to a total of € 208.4 million, was determined on the basis of the regulatory framework approved by the Campania Water Authority with Resolution 35/2021, in compliance with ARERA Resolution 580/2019/R/idr, highlighting that, in order to achieve financial balance in management of the Sarnese Vesuviano District Area in compliance with the tariff increase constraint and remaining within the maximum limit for annual changes, a remodulation of the GRC was determined, through regulatory postponement of the portion of costs exceeding the maximum limit to subsequent years, according to the provisions of the Regulatory Framework of reference.

Verification of parameters to identify the regulatory quadrant and the presence of OP_{new} 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, 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 GRC at 31 December 2021, the constraint component relating to the Op_{social} supplementary water bonus has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, specific deliberative act is actually missing, considering that "the disbursement of the supplementary water bonus is subject to any determinations that will be made, in this regard, by the Campania Water Board to maintain the facility provided in the 2018-2019 two-year period, identifying at the same time the number of beneficiaries entitled to the supplementary water bonus and the related access procedures".

The purely regulatory component $CO_{\Delta fanghi}$ was instead considered. The $Opex_{QC}$ and $Opex_{QT}$ 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.

Also in this case, given that ARERA did not approve the requests submitted for recognition of additional costs as an $Opex_{end}$ component for the new scope, the OP_{new} included in the calculation were

quantified in the same manner as in previous years, and therefore based on the principle of full cost recovery, the costs effectively suffered for systems transferred at 31 December 2021 are covered, as demonstrated in the accounting documents.

At 31 December 2021, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Anagni Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.

External operating costs $Opex_{end}$ were defined based on what is established in art. 17.1 of Annex A to resolution ARERA 580/2019/R/idr 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 art. 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in art. 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 is placed in quadrant 4 of the regulatory matrix, which therefore leads to $Opex_{end}$ of € 74.6 million. The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA resolution no. 580/2019/R/idr 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 (R_c), relative to the year (a-2).

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2021, the tariff approved by the CWA by resolution no. 7 of 26 June 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 0.192941 €/m³, with the application, both for the year 2020 and for the year 2021, of a theta equal to 1.

The pertinent cost at 31 December 2021 on the CO_{ws} relating to regional water supplies, according to the principle of full cost recovery, was approximately € 4.1 million, entered for the same amount in GRC and in the related costs.

As regards the CO_{ws} of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2021, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/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.

Furthermore, in the determination of the GRC for the year ended 31 December 2021, the regulatory effects on the year 2020 deriving from the application of the regulatory framework approved by the CWA, with effect on the GRC for financial year 2020, were also taken into account, with the allocation to the “exceptional events” component for a total value of € 0.5 million.

It should be noted that the increase in costs incurred on Regional Works transferred by virtue of the completion of the transfer schedule, and taken into account in the relevant GRC as OP^{new} , was offset by lower costs incurred on electricity supplies and water purchases from the Campania Region; for this reason, despite the non-application of tariff increases since, as previously represented, the regulatory framework approved by the Campania Water Authority provides, for the year 2021, the application of a theta=1 tariff multiplier, the tariff revenue allowed for the recovery of tariff adjustments equal to € 4.9 million. In addition, it should be noted that, upon completion of the billing cycle with respect to the 2019 reference year, there was a residual accrual to be issued, amounting to € 8.4 million, which was allocated as an increase in tariff adjustments to be recovered.

Therefore, the tariff adjustments, as of 31 December 2021, amount to € 146.8 million.

With reference to the judgement of the Lombardy Regional Administrative Court (RAC) no. 1619 of 29 June 2018 we can inform you that the Council of State, accepting partially the appeal of the aforesaid Municipalities, with the recent judgement no. 5309 of 13 July 2021, revised the judgement of the Lombardy RAC Milan office no. 1619/2018, on the premise that ARERA had not carried out a correct enquiry regarding “the quantification of the tariffs”, because it had not assessed whether the Area Plan had been effectively implemented after 2009 and, that is, after the proceeding to revise it had been launched; it therefore argued, for the purposes of the aforesaid “quantification of the tariffs”, on the verification of effective implementation of the Area Plan “... taking into account the need to verify the congruity of the costs with respect to the planned objectives also “in relation to the investments planned” (art. 149 Italian Legislative Decree 152/06) ... which implies the need for an enquiry ... on the status of implementation of the [area] plan as a condition for assessing concretely the operating costs and a possible concrete assessment of the situation determined in order to identify the adequate tariffs...». The Council of State then concluded providing for a temporary reduction of 30% of the tariff increase provided for in resolution no. 104/2016/R/idr “while awaiting renewal of the enquiry proceeding” of ARERA in preparation for the assumption of new decisions (also confirming the decisions made with ARERA resolution 104/2026/R/idr) regarding “quantification of the tariffs” — “as in any case the amount of the earlier consolidated tariffs is not in question and as a preponderant weight has to be attributed in any case to the approval of the plan” — without affecting the fact that “renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry but on the basis of new elements, that is the precise verification of the implementation of the plan and of the presumable justified future modulation of the works planned or on the basis of a more specific different motivation or, on the contrary, if the Authority so decides, it could end in confirmation wholly or in part of the jurisdictional cancellation order (which has only a preliminary conformative effect while awaiting renewal of the technical assessments). This reduction is ordered, until the new decision of the Authority, which must intervene promptly and expressly

and concretely motivate on the effects deriving, for the purposes of covering the costs, from any remaining non-implementation of the plan, unless final adjustments are ordered after the renewal (if the reduction in the increase cancelled herein were to be calculated in an amount of less than thirty percent)". In this regard, it is specified that since the Campania Water Authority (i.e., the competent government authority) has not adopted the tariff structure for the 2020-2023 four-year period, ARERA gave notice to the Campania Water Authority on 2 July 2021 to "comply pursuant to paragraph 5.6 of resolution 580/2019/R/idr and art. 3, paragraph 1(f) of the Prime Ministerial Decree of 20 July 2012" and, therefore, to proceed, within 30 days from receipt of said memo, with the decisions and submissions within its remit with reference to the years 2020-2023, "noting that, after this deadline the operator's request would be understood to have been accepted by the competent authority as the tariff structure, as a result of the provisions of art. 20 of Law no. 241/1990, and would be sent to the Authority for evaluation and approval in the subsequent 90 days.". Following ruling no. 5309/2021 of the Council of State, ARERA gave another notice to the Campania Water Authority (which had communicated that it had "deferred the approval of the 2020-2023 regulatory scheme, as prepared by the offices, in order to verify the impact of the Ruling [of the Council of State] on the Regulatory scheme in question and pending the acquisition of specific clarifications [...] from the Authority regarding the effects of said ruling) and the Operator – each within the scope of its own remit and "[...] pending the said renewal [of the supplementary investigation ordered from it by the Administrative Judge] [...]" – to proceed with adopting the 2020-2023 tariff structure "[...] while guaranteeing the economic and financial balance of the management [...]" and taking account "[...] (also for the purposes of verification of compliance with the price limit set by the regulation in force pro-tempore) of the effects of what was established by the aforementioned ruling [...]", thus in terms of "price limits" of invoicing users. Therefore, ARERA - with Resolution 373/2021/R/idr of 7 September 2021 - has already initiated the procedure for compliance with Ruling No 5309/2021 of the Council of State, with the primary and express purpose of "... renewal of the preliminary enquiry - limited to the profiles referred to in the grounds [of Ruling No 5309/2021] - underlying the tariff determinations referred to in Resolution 104/2016/R/idr". More specifically, according to the provisions of the cited Resolution 373/2021/R/idr, the procedure in question must be concluded by ARERA "...by 31 December 2021", a deadline subsequently extended to 15 March 2022 by ARERA Resolution 18/2022/R/idr of 18 January 2022. Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority - at the specific request of the Authority - has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI has effectively implemented the Area Plan until the end of 2011 in accordance with the provisions of sector legislation. Consequently, on the basis of what has been ascertained by the CWA, it is already possible - at least logically - to exclude any curtailment to the tariff increases established by ARERA Resolution No 104/2016/R/idr, given that the same Authority will also have to adopt the determinations required by the Council of State as a result of the aforementioned CWA verifications. Furthermore, within the scope of the investigations carried out, it emerges that no immediate restitution should be made, given that any reduction of 30% (if confirmed) would in any case be absorbed by the tariff adjustments accrued by the Operator GORI and still open, as confirmed by the resolution of the Executive Committee of

the CWA no. 35 of 12 August 2021. At this stage, it is therefore appropriate to await the measures that the Authority will adopt by the deadline (15/03/2022) in execution of Ruling no. 5309/2021 of the Council of State.

In conclusion, the Company must wait for the decisions to be taken by ARERA, so – on the basis of the above considerations and the opinion of the legal consultants consulted for this purpose, as it stands there are no economic impacts deriving from this sentence including in light of the fact that it will nevertheless be necessary to wait for any new ARERA resolutions.

Campania - Gesesa SpA (OTA 1 - Calore Irpino)

The Company operates in OTA 1 Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service in 22 Municipalities in the Province of Benevento for a total resident population of about 120,000 inhabitants spread over the whole provincial area 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 approximately 57,247, for which 2021 consumption has been estimated at about 7,802,223 cubic metres of water. The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users.

One of the company's objectives was to consolidate, expand and increase the efficiency in particular of the sewerage and treatment service. For these reasons, the investments also focused on the improvement and adaptation of the sewerage systems and the restructuring of the treatment plants and the preliminary design of those not yet present in the territory.

The wholesale water supply service regards only one Municipality in the Province of Benevento (Campoli MT).

Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 RGNR, which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.

Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to article 356 of the Criminal Code and the crime of environmental pollution, pursuant to art. 452-bis of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.

The Public Prosecutor's Office requested the preventive seizure of 12 purification plants managed by the Company, assigning them to a Judicial Administrator. In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.

The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, which will be begun shortly by the Judicial Administrator.

After discussions between the Company and the Judicial Adminis-

tration the decision was arrived at, for reasons of transparency and efficiency, but above all to ensure that the convergent purpose of making the plants as efficient as possible will be fulfilled in a short time, to entrust the procedures necessary for performing the actions described in the report to the Judicial Administrator, using for this purpose the rules and principles on the subject of mandates with representation. The aforesaid decision was transformed into a Draft Agreement; on 2 March 2021 approval was given by the Examining Judge.

On 17 March 2021 the agreement was signed with the Judicial Administrator to launch the works concretely with reference to the 12 plants still under seizure. During the meeting, held on 4 November 2021, of the Technical Advisory Committee, set up to manage the activities envisaged by the agreement, with the Judicial Administrator, the time schedule of the necessary interventions was redetermined with an increase of approximately 15% in the cost of the works that brought the maximum estimate to approximately € 800 thousand. Participants in the meeting also took note of the slowdown in the execution of the works, largely due to delays in the supply of materials encountered due to the Covid emergency, and recalculated the end date of the redevelopment works by extending it to 31 March 2022. With regard to the 231 proceedings against the company, it should be pointed out that, on 11 November 2021, the Examining Judge, at the request of the C.T. and the Public Prosecutor, ordered the seizure of money, directly traceable to the profit of the crime at the company's disposal and the seizure, with the aim of confiscation, of fungible assets, property and anything else of patrimonial value at the Company's disposal, up to a value of over € 78,000,000, with the appointment of a Judicial Administrator. Gesesa immediately appealed against this measure to the Judicial Review Court. The application for review was fully granted by the Court on 21 December 2021 and, consequently, the preventive seizure decree was cancelled, resulting in the release of the assets and their subsequent return to the Company.

The main consequence of this event was a sharp increase in attention on the part of the lending banks and, in the immediate term, the suspension of the signing of a significant line of credit (approximately € 1,500,000) and the non-renewal of the line of advances on water bill collections maturing on 20 December 2021. In order to meet this commitment, the Company requested a loan from the shareholder, Acea Molise, which was disbursed in early January 2022.

It is hoped that the release of the seizure will enable the company to resume discussions with the two banks regarding the two financial transactions.

With regard to any risks concerning the final outcome of the proceedings, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings. In any case, the Company is carrying out all possible collaboration activities with the Judicial Authorities.

With regard to the biennial update of the 2018-2019 tariffs, the Company prepared the final accounts referring to the 2016 and 2017 years and the Works Programme for the preparation of the tariff revision proposal with the definition of the GRCs and the Theta for the years 2018-2019, revising the investment planning

for the years 2018-2019, also incorporating the results of the inspection audit of 16-20 October 2017 contained in the ARERA Determination No DSAI/26/2018/idr, dated 10 April 2018, having as its object the initiation of a proceeding for the adoption of sanctioning and prescriptive measures regarding the tariff regulation of the Integrated Water Service.

With regard to the sanctioning proceedings under DSAI/26/2018/idr, in October 2021 the Authority sent a request for information on the activities put in place in relation to the reimbursements to be made to users and the other findings of the proceedings.

In the feedback, the Company reported on the status of the reimbursements made, expecting to conclude the task within 6 months. For other points, it is highlighted that in the biennial tariff update proposal for 2016/2019, pursuant to resolution 918/2017, the Company implemented the results of the ARERA audit contained in determination DSAI/26/2018/idr, making the necessary changes to the previous tariff structure for 2016-2017. This proposal is under approval by the CWA.

Following this correspondence, in January 2022, ARERA received the results of the preliminary investigation, in which the Authority pointed out that some points of the assessment had been archived and highlighted that the completion of the prescribed reimbursement activities would be considered favourably when closing the proceedings. In this regard, in February, the Company completed its reimbursement to all users and sent a memorandum of reply to the Authority, highlighting this and reiterating that, for the other points covered by the proceedings, it is still waiting for the approval of the two-yearly MTI2 update. On the basis of these considerations, given that all the points of the sanctioning procedure have been acknowledged, the Company has not deemed it necessary to make any provision for risks. The 2018-2019 tariff proposal is awaiting approval by the CWA, which in any case, following examination of the documentation produced, has deemed it consistent with the regulatory framework approved by ARERA.

Following the Deliberation of 27 December 2019 580/2019/R/idr, the data collection activity for the preparation of the tariff proposal for the period covered by the resolution (2020-2023) was initiated in agreement with the CWA and data validation was carried out in July 2020. In 2020, the tariff proposal for the 2020/2023 period was being analysed and evaluated by the CWA, with which there were continuous relations for the final definition of the economic/financial data and the Action Plan. In view of the CWA's inaction in defining and sending the two tariff proposals to ARERA for approval, at the end of 2020 and on 29 December 2020 exactly, the Company requested ARERA to exercise substitute powers to approve the 2018-19 (MT2) and 2020-2023 (MT3) update tariff proposals and on 5 January 2021, following the opening of the portal by the Authority, all related documentation was sent to ARERA electronically.

As a result of the above, revenues were updated and recorded in 2021 on the basis of the new Guaranteed Revenue Constraint ("GRC") envisaged for 2021 in the calculation tool under the new MT3 method for the 2020/2023 period, currently awaiting approval by ARERA.

Tuscany - Acque SpA (OTA 2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with an initial 20-year duration was signed on 21 December 2001, then in October 2018 it was extended to 2031. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 2, comprising all public water col-

lection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the “Update of the tariff structure 2018-2019”, the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/idr ARERA approved the tariff proposal.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases. Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate. The amount for tariff revenues entered in the 2021 financial statements represent the GRC value recognised to the operator.

On 18 December 2020, the Executive Council of the Tuscan Water Authority, with Resolution no. 7, approved the tariff proposal for the years 2020-2023 (according to ARERA Resolution 580/2019/R/idr of 27 December 2019) to be submitted for ARERA approval. On 28 September 2021 with Resolution No 404/2021/R/idr, ARERA approved this proposal. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020 - 2023 were also approved. The maximum amount of the residual portion of the adjustment components, as per Article 27 of Annex A of Resolution 580/2019/R/idr, provided for in the tariff after 2023, totalling € 2,895,690, was also indicated.

Tuscany - Publiacqua SpA (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 Oper-

ator 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 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts. In June 2006, Acea — via the vehicle Acque Blu Fiorentina — completed its acquisition of an interest in the company.

Total revenues for the year, including adjustments to pass-through items, amounted to € 243.2 million (€ 97.3 million in the Group). Revenues also include the FoNI component for € 32.7 million (Group share € 13.0 million).

In terms of sources of financing, it should be noted that following the extension of the concession to 2024, on 31 July 2019 the Company signed the new loan for € 140.0 million divided among five lending banks. The Base Line must be used for the full repayment of the existing Loan stipulated on 30 March 2016 with BNL and Banca Intesa for the payment of the ancillary costs of the new Loan and for the requirements related to the realisation of the investments envisaged in the EFP, while the Investment Line will be used to fully cover the requirements for further investments envisaged in the EFP.

Tuscany - Acquedotto del Fiora SpA (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 wastewater treatment. The concession term is 25 years from 1 January 2002, and in 2020 was extended until 2031. Via the vehicle Ombrone SpA, in August 2004 Acea completed its acquisition of a stake in the Company's capital.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Executive Council of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/idr of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 111.8 million and a share of FoNI equal to € 11.1

million.

Umbria - Umbra Acque SpA (OTA 1 - Umbria 1)

On 26 November 2007 Acea was finally awarded the tender called by the OTA 1 Perugia Area Authority for selecting the private minority industrial partner of Umbra Acque (expiry of the concession on 31 December 2027). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

As of 31 December 2021, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which provide for 2021 an applicable theta of 1.105 and an increase of 4.44% compared to 2020. The average tariff €/mc was € 2.85 at 31 December 2021. The number of users served was approximately 234 thousand, substantially unchanged compared to the previous year. In terms of volumes, as of 31 December 2021, approximately 28.2 million cubic metres of water had been invoiced (measured and estimated), up from the previous year (+2.2%). The Assembly of Mayors of the AURI, with Resolution no. 10 of 30 October 2020, approved the proposed MTI-3 tariff for the four-year period 2020-2023 (Tariff Plan or TP), the relative regulatory Economic and Financial Plan (regulatory EFP) and associated Works Programme (WP), providing approval with the same Resolution for extension of the concession to 31 December 2031. On the basis of the determinations of the ARERA, the revenues for the period were recognised for a total of € 76.8 million (Group share € 30.7 million) and include a portion of FoNI of € 2.9 million (Group share € 1.2 million), including the adjustment of pass-through items.

Umbria - SII ScpA (OTA 2 - Umbria 2)

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria n°2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no. 4 of the Umbria AURI). The Terni Area covers an area of 1,953 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. There are about 121 thousand users served and the quantity of water supplied during 2021 is 12.5 million cubic meters.

As mentioned, on 16 November 2020 the Extraordinary Shareholders' Meeting, approving the revision of the by-laws that provided for a change in the industrial governance, enhanced the role of planning, monitoring and control of the public shareholders, and at the same time made effective an corporate reorganisation operation through the sale of 15% of the shares by the shareholder ASM Terni SpA to the shareholder Umbriadue Scarl. The changes also enabled full consolidation of SII in the Acea Group financial statements. On 10 March 2021, AURI approved the new version of the Service Charter, updated pursuant to ARERA Resolutions No 655/2015 (Contractual Quality), No 218/2016 (Regulation of the Measurement Service), No 917/2017 (Technical Quality), No 311/2019/R/idr (REMSI) and No 547/2019/R/idr (Short Prescription). Finally, it should be noted that on 22 June 2021, AURI approved the regulations for the application of the supplementary water bonus to which, therefore, in the last quarter of 2021, the Company will apply retroactively from the first billing cycle of 2022.

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.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 (2020-2023)
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{QC} . 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 _{QC} . 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 art. 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. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 (2020-2023)
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with $Opex_{QC}$ as of 2017. Approval by ARERA is awaited.	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 art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. ARERA warned the EIC on 2 July 2021, and with a resolution of 12 August 2021 it approved the 2020-2023 tariff proposal.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the $Opex_{QC}$. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. 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.	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.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the $Opex_{QC}$. 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.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised $Opex_{QC}$) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the $Opex_{QC}$. 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.	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.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 (2020-2023)
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.
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 art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. The CWA convened the Executive Committee for this coming 22 July (minutes on closure of the activities of checking the minutes of 31/7/20) following the notice from ARERA received on 2 July 2021.
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.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the $Opex_{QC}$. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	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.
SII Terni Scapa	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.

Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in 2021 valued on the basis of the new MTI–

3 Tariff Method. The data also include the adjustments of passing items and the FoNI component.

Company

(pro quota values in € million)

	Revenue from the IWS	FoNI
Acea Ato2	677.6	FNI = 56.1 $AMM_{FoNI} = 13.4$
Acea Ato5	82.2	FNI = 3.9 $AMM_{FoNI} = 5.2$
GORI	209.7	$AMM_{FoNI} = 4.4$
Acque	71.2	-
Publiacqua	97.3	FNI = 2.7 $AMM_{FoNI} = 10.4$
AdF	111.8	$AMM_{FoNI} = 11.1$
Gesesa	12.9	$AMM_{FoNI} = 0.2$
Geal	8.6	$AMM_{FoNI} = 1.1$
Acea Molise	5.4	-
SII	38.0	$AMM_{FoNI} = 1.1$
Umbra Acque	30.7	$AMM_{FoNI} = 1.2$

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 inte-

grated water services under the terms of two thirty-year concession agreements. Further details are provided in the section "Service concession report".

In 2019, Roma Capitale and the Acea Group began a technical round table to define some previous positions regarding the services provided under water service and public lighting contracts. At present, the parties are continuing to reconcile their respective items. 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 24 of this document.

The following table shows details of the main revenues and costs at 31 December 2021 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	31/12/2021	31/12/2020
Revenues		
Supply of fresh water	41,244	41,862
Supply of electricity	94	35
Public Lighting Service contract	32,368	33,666
Public Lighting contract interest	6,338	7,000
Water maintenance service contract	170	185
Monumental fountain service contract	170	185
Costs		
Concession fee	26,337	26,333
Lease fees	111	110
Taxes and duties	2,967	3,857

Reference should be made to note 25.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2020	Collections/ Payments	Accruals 2021	31/12/2021
Receivables	192,729	(123,145)	80,837	150,421
Payables	(221,316)	155,561	(116,844)	(182,598)

ACEA GROUP AND ROMA CAPITALE GROUP

The Acea Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the Acea Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA SpA	826	1,399	3,579	5,636
ATAC SpA	103	201	7,494	1,489
Roma Multiservizi SpA	(1)	0	0	0
Assicurazioni di Roma - Mutua Assicuratrice Romana	1	3,588	7	(2)
Total	929	5,189	11,081	7,124

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 31 December 2021.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	114	92	167	51

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 31 December 2021. 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

It should be noted that no non-recurring significant transactions with related parties were carried out during the period. The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the statement of financial position € thousand	31/12/2021	Of which with related parties	Impact	31/12/2020	Of which with related parties	Impact
Financial assets	22,549	8,319	36.90%	38,781	21,156	54.60%
Trade receivables	1,071,644	51,601	4.80%	981,509	72,080	7.30%
Current financial assets	407,944	113,981	27.90%	379,859	143,097	37.70%
Trade payables	1,706,363	51,965	3.00%	1,627,119	77,230	4.70%
Borrowings	285,222	120,137	42.10%	419,822	133,714	31.90%

Impact on the income statement € thousand	31/12/2021	Of which with related parties	Impact	31/12/2020	Of which with related parties	Impact
Consolidated net revenue	3,972,044	101,556	2.6%	3,378,902	103,822	3.1%
Consolidated operating costs	2,737,018	52,416	1.9%	2,254,088	53,743	2.4%
Total Financial (costs)/income	(85,897)	7,142	(8.3%)	(88,018)	13,886	(15.8%)

Impact on the cash flow statement						
€ thousand	31/12/2021	Of which with related parties	Impact	31/12/2020	Of which with related parties	Impact
Increase in receivables included in the working capital	(184,891)	20,479	(11.1%)	25,854	27,718	107.2%
Increase/decrease in payables included in the working capital	90,810	(25,265)	(27.8%)	(174,236)	(34,089)	19.6%
Collections/payments deriving from other financial investments	1,340	41,953	3,132.0%	(1,034,008)	(16,142)	1.6%
Dividends received	7,423	7,423	100.0%	29,848	29,848	100.0%
Decrease/increase in other short-term borrowings	(146,968)	(13,577)	9.2%	(20,795)	54,098	(260.1%)
Dividends paid	(96,743)	(96,743)	100.0%	(93,212)	(93,212)	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 art. 14, paragraph 4-bis of Law no. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.

By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs. On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now Acea Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD SpA, with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of art. 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.

The cases must be resumed within the term of six months from the filing of the Court of Cassation judgements under the terms of art. 63 of Italian Legislative Decree no. 546/1992 so that the RTC can proceed to a new examination of the disputes.

In any case, it is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous shareholder (EnerTAD, now Erg Renew) will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regard-

ing the shares of the direct parent company ARIA Srl (now Acea Ambiente Srl).

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 regard to the year 2013, the CTP rejected the appeal filed by the Company. The date of discussion for the notice of assessment for the year 2014 has not yet been set.

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. With regards to the year 2011, the Regional Tax Commission, confirming the first level judgement, annulled the notification. The case is now pending with the Court of Cassation. With regards to

the year 2012, the Provincial Tax Commission annulled the notice of findings and the Revenue Agency filed an appeal against this judgement. The Company is waiting for the date to be set for the second level hearing. For the years 2013 and 2014, the PTC rejected the Company's appeal. On 23 January 2020 the Company served notice of appeal against the first instance decision related to 2013. For the year 2014 the terms for presenting an appeal are still pending.

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 2017, the beneficiaries of the ARSE – Acea SpA, Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.

On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. As of today's date, a hearing to discuss this case has not yet been scheduled.

On 14 June 2012, the Company was delivered a Report on Findings from the Italian Financial Police - Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to art. 50-bis of Italian Decree Law 331 of 30 August 1993 ("VAT Deposits"), relating to certain assets imported by the Company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports – for 2009, 2010 and 2011 – amounting to a total of € 16,198,714.87.

On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.

The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Deposits, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

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.

It is also noted that on 21 December 2018 the Court of Frosinone – section of the judge for preliminary investigations notified the Company of a decree of preventive seizure (no. 3910/2018) of the financial resources present in the Company's current accounts up to the value of € 3.6 million, charging the Company with a crime under art. 4 of Italian Legislative Decree 74/2000.

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 arts. 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.

Finally, it is noted that on 1 February 2019, having examined the request for review pursuant to art. 324 of the Italian code of criminal procedure proposed by the Company, the Court of Frosinone, having heard the parties in the Council Chamber at the hearing and dissolved the reservation, annulled the decree of preventive seizure issued by the examining judge and ordered the restitution of the seized property to the party entitled.

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, except for what had already been found for 2013 with the previous PVC of 25 October 2018 and partly amended.

Also in relation to this 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 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.

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.

On 23 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;

On 28 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company Acea as consolidating company.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the Parent Company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.

Customs audits of Umbria Energy SpA

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.

The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.

The company promptly challenged these provisions with the relevant institutions.

In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjust-

ments, 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 2021, 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 requested for credit collection on the settlement agreement of 2007 with OTAA 5

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, Acea Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the OTAA to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the OTAA sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

Acea Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge — in an Order filed on 24 July — suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the OTAA.

During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case. In sentence 304/2017, published on 28 February 2017, the civil judge revoked the injunction decree issued in 2012, rejected the subordinate re-conventional request by Acea Ato5 and ordered the deferral of the case in the preliminary proceedings concerning the

re-conventional request by the OTAA as regards the payment of the concession fees.

At the hearing of 17 November 2017, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato5 and OTAA, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with 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. The proceeding has been adjourned several times, with a hearing most recently set for 12 April 2022. We can also note that negotiations are underway between the parties.

In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court. The Court, after hearing the respective positions of the parties, adjourned the case to 20 November 2020 for the oral discussion and the delivery of the judgement pursuant to art. 281 *sexies* of the code of civil procedure. The case was then further postponed after a request by the parties, to 6 July 2022.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 SpA to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- the legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not in itself 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.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. The Preliminary Hearing Judge, having withdrawn the reservation, issued an order whereby, with the exception of the associations “Free Monte” and “Codicci Onlus”, all the parties allegedly harmed by the facts of the crime against the defendants were admitted.

Finally, at the instigation of several civil parties, the citation of Acea Ato5 and OTA 5 Lazio Meridionale Frosinone as civilly liable was authorised. Ordered to be postponed until 18 February 2022. During the course of the hearing, Acea Ato5 was presented as the party liable under civil law, and the judge adjourned the hearing until 14 March 2022 to allow the Public Prosecutor and the civil parties to respond to the territorial jurisdiction issue put forward by the defendants’ defense.

At the hearing of 14 March 2022, the judge of the preliminary hearing rejected the question of territorial jurisdiction and adjourned the hearing to 28 March 2022 for the continuation.

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 OTA 5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court — detached section of Latina upheld the appeal filed by the Company against resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.

It should be noted that the aforementioned appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. In any case, the Company filed the formal documents for both disputes, for which as of today there is no information regarding the scheduling of the hearing.

Acea Ato5 - ASI Consortium

The ASI Consortium filed two injunction decrees for the reimbursement of the portion of the treatment service carried out on behalf of Acea Ato5 (case value € 14,181,770.45). The two decrees were opposed by the Company which, in turn, submitted an application for the supply of water for industrial use provided to the Consortium.

In detail (i) with reference to the case initiated following appeal no. 3895/2013 (value of the case € 7,710,946.06), on 15 May 2018 the definitive settlement agreement was signed by Consorzio ASI, Acea Ato2 and Acea Ato5; (ii) with reference to the case initiated following appeal no. 3371/2016 (value of the case € 6,470,824.39), the Judge ordered several adjournments and the next hearing was set for 2 March 2021.

At the same time, during the negotiations, the opportunity emerged to define in settlement reciprocal debit/credit positions for the 2016-2017 period, as well as the opportunity to reach the definition of a framework agreement aimed at regulating — starting from 2018 and for the future — the water supply service provided by Acea Ato5 to the ASI Consortium, as well as the sewerage and treatment service rendered by ASI for Acea Ato5, in relation to which on 9 January 2019 the related agreement was signed by the Parties.

Finally, the Parties reached an additional amicable settlement for the reciprocal receivables relative to the 2012-2017 period, applying the same criteria already adopted when concluding the *inter partes* relations for the 2004-2011 period. An integral part of the Settlement Agreement is the commitment made by Acea Ato5 to acquire, for pay, the water network owned by ASI, for an amount to be determined within the limits established in the Agreement in question, after an appraisal to be carried out by a third party hired by the OTS and without prejudice to the fact that the entire operation was subordinate to express consent from the Area Authority. On 15 March 2021, the parties signed the Agreement.

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 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of

the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree no. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

Acea Ato5 – Municipality of Anagni – Appeal to the Lazio Regional Administrative Court – Latina Section – cancellation of order to demolish treatment plant, Municipality of Anagni, San Bartolomeo district

On 4 November 2021, with Executive Order no. 236/2021 the Municipality of Anagni ordered the demolition and removal of the Treatment Plant located in the San Bartolomeo district (Anagni) and the consequent restoration of the original condition of the places as they were before the work began. The local Council alleges that the said infrastructure was created in breach of art. 10 of Italian Presidential Decree 380/2001, given that the work is said to have been done without planning permission, and in breach of art. 24 of Italian Presidential Decree 327/2021, given the non-definition of the expropriation order with the due notification procedures. In addition, according to the Council the plant occupies an area covered by the constraint for sites of national interest (Hydrographic basin of the River Sacco). Against this measure the Company presented an application for access to the records, which was rejected by the Municipality.

At the same time the Company lodged an appeal with the Lazio Regional Administrative Court (RAC) — detached section of Latina — in order to obtain, as a precautionary measure, the suspension of the effectiveness of the measure appealed against and, on the merits, the acceptance of the application for access to the records and the cancellation of the executive order. With an order of 14 January 2022 the Lazio RAC accepted the precautionary application and set the hearing of the merits for January 2023.

Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)

With Injunction no. 1131/13, No rg 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to Acea Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.

The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order Acea Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.

The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone no. 4164/2013.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The Company has made the provision in the financial statements consistent with the settlement agreement reached on a prudent basis so as to ensure coverage of any costs arising from the agreement.

Class Actions pursuant to art. 140-bis of Italian Legislative Decree 206/2005

On 17 May 2019 a summons was served initiating a class action under the terms of art. 140-bis of Italian Legislative Decree 206 of 2005 before the Court of Rome.

This is a case to which the Company is paying the maximum attention, taking into account the specific nature of the proceeding and the circumstance that, recently, two class actions brought by users against Acqualatina and Abbanoa were judged to be admissible.

The case RG. no. 33344/2019 — which originates substantially from the Cassino No Acea Committee — was launched against the company in the interest of 729 users, in order to:

- ascertain the non-existence/nullity of contracts in being between the users and the Operator;
- ascertain the illegitimate application of the *pro die* method;
- declare not payable the sums requested for previous items;
- have the Company ordered to return any sums received.

The case was initially adjourned to 19 March 2020 to discuss the admissibility of the action initiated by the plaintiff parties and subsequently adjourned *ex officio*, most recently to 1 March 2021.

At the hearing on 1 March 2021 — in which the admissibility of the action was discussed — the Court granted a deadline for briefs and on 5 November 2021 the Civil Court of Rome adopted a measure with which it declared inadmissible the class action brought by the NO Acea Committee. The Committee consequently lodged an appeal before the Court of Appeal with a hearing set for 4 April 2022.

Acea SpA - SMECO

With a writ served in the autumn of 2011, Acea was summoned to court to answer for alleged damages that its alleged non-compliance with unproven and non-existent obligations that are assumed to have been part of the shareholders' agreement regarding the subsidiary A.S.A. - Acea Servizi Acqua, by its minority shareholders and their respective shareholders. The petition is for more than € 10 million.

With sentence no. 17154/15 of 17 August 2015, the Court rejected the application in its entirety and sentenced the parties jointly and severally to the reimbursement of Acea for legal expenses. On 1 October 2015, SMECO lodged an appeal to the 2nd Section of the Court of Appeal of Rome. After a number of postponements,

the hearing to clarify the conclusions was set for 3 November 2020.

With a judgement of 11 June 2021, the Court rejected completely the appeal lodged by the plaintiff, ordering the same to refund the legal expenses to Acea. The proceeding has now been concluded.

Acea SpA - Milano 90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina no. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the 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.

Judgement of Appeal

On 26 April 2018, Milano 90 filed an appeal against the above judgement. As a result of the oral hearing, with an order dated 25 October 2018 the Court of Appeal rejected the request for suspension. The hearing for specification of the conclusions was most recently adjourned to 10 September 2021 and a decision is awaited.

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. With an order dated 11 February 2020 the enforcement judge ordered the allocation of € 6,445,687.75 plus legal costs and interest in favour of Acea.

Quite unexpectedly, following the service of the order, on 12 March 2020 the seized third party filed an appeal against the enforcement, requesting a declaration of nullity of the order for the allocation of the seized sums.

By decree dated 24 March 2020 and without a hearing, the Enforcing Judge ordered the suspension of the enforceability of the assignment order and set a hearing on 24 February 2021 to decide on whether to confirm, amend or revoke the measure. With an order of 27 December 2021 the judge, lifting the reservation previously adopted, rejected the application for suspension of the executive effectiveness of the allocation order appealed and revoked the previous decree issued *inaudita altera parte*, setting the term for the merits to 10 March 2022. The final judgements have not yet been issued.

Acea SpA - Trifoglio Srl

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Auto-parco 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 filed an appeal, with a hearing for conclusions last postponed to 9 September 2021. As of today the judgement has not been issued.

Acea SpA - Former COS rulings

The COS dispute concerns the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (i.e. 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 up to now have claimed the remuneration differences for lack of performance — have therefore started to work concretely starting from February 2020.

Based on the judgements concerning the *an debeat*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting payment of the wages due as a result of the established relationship and regarding different periods of accrual of the receivables.

The action for quantification proposed by the workers regarding the remuneration differences accrued between 2008 and 2014, defined with a partially unfavourable judgement handed down on 26 October 2022, is currently pending before the Rome Court of Appeal, Employment Section. The terms for appealing to the Court of Cassation against this judgement are pending.

After this unfavourable verdict Acea paid, reserving the right to a refund, the amounts due as remuneration and pension differences plus interest and monetary revaluation.

Finally, two cases of opposition to injunctions are pending; with these, two workers initiated quantification actions aimed at obtaining the remuneration and pension differences accrued between 2014 and 2019. The hearing for discussion was held on 24 January 2022 and, with a judgement issued on the same date, the request of the counterparties was accepted. The terms for appeal are pending.

Acea SpA - Municipality of Botricello

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

Acea SpA and areti SpA – MP 31 Srl (formerly ARMOSIA MP Srl)

This is a challenge to the Injunction Order issued by the Court of Rome, docket no. 58515/14, issued against areti for 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 appeal hearing was initially set for 16 April 2020 and then postponed to 16 June 2022.

Acea SpA and Acea Ato2 SpA - CO.LA.RI.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl — respectively the manager of the Mala-grotta 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 to clarify the conclusions was held on 22 March 2021. On this occasion, the judge, taking into account the notes filed by the parties, granted a further adjournment for the same obligations to 20 December 2021. At the hearing a further adjournment to 26 April 2022 was granted, with terms for notes and rejoinders.

Acea Ato2 SpA and Acea Ato5 SpA - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, Acea Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL resolution no. 56 of 6 February 2018, GRL resolution no. 129 of 20 February 2018, GRL resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 23 November 2022. A similar appeal was filed by Acea Ato5 SpA and, in this case as well the hearing was most recently adjourned, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

Acea Ato2 SpA – Parco dell'Aniene Scarl

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 Case is currently pending before the Court of Rome and the Judge, considering initially that the claim of lack of jurisdiction proposed by Acea was sufficient to define the case, set the hearing for definition of the conclusions, most recently adjourned to 15 November 2022.

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 the Court rejected the appeal, declaring the jurisdiction of the administrative court.

Consequently, with an appeal before the Lazio RAC lodged on 23 November 2021, Parco dell'Aniene Scarl resumed the case before the Regional Administrative Court of Lazio and we are waiting for the hearing to be set.

We can also note that in February 2021 the counterparty lodged an appeal pursuant to art. 700 of the Code of Civil Procedure — asking the Judge to avoid worsening the damage and to put an end to the alleged prejudicial conduct — before renouncing the same following the ruling of the Supreme Court. The precautionary proceeding was therefore declared extinguished with an order of 16 September 2021.

We can also note that on 28 June 2021 a deed of intervention of the company Immobiliare Malcesine Srl was filed in the case. This company, with the premise that it holds a stake in Parco dell'Aniene scarl, intervenes in support of the arguments of the plaintiff company.

Acea Ato2 SpA - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) — with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale — which involve Acea Ato2 and Roma Capitale as 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.

Against this decision the Municipality filed an Appeal for Cassation, with hearing not yet set, and an Appeal for Rectification, with hearing set for 11 May 2022.

Acea Ato2 SpA - Enel Green Power Italia Srl

With an appeal of 27 July 2020, Enel Green Power Italia Srl (EGP) summoned Acea Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement

in effect between the parties as of 1985), for electricity which could not be produced with the Farfo 1 salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.

More specifically, the appellant states that between 2009 and 2019, Acea, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears. Acea Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.

Based on the application of this calculation method, Acea Ato2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus legal interest, in that it was not due from Acea Ato2.

The Investigating Judge did not order any enquiry activity and set the hearing for specification of the conclusions for 21 December 2021. After this, the hearing for discussion before the Court was set for 18 October 2022.

Acea Ato2 SpA and Acea Produzione SpA - Erg Hydro Srl

With separate appeals, notified on 10 March 2021, Erg Hydro S.r.l. summoned Acea Ato2 SpA and Acea Produzione SpA 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.

After the enquiry hearing of 16 November 2021, the Judge ordered assessment by a court-appointed expert, adjourning the case to 15 March 2022 for the said expert to be sworn in.

areti SpA - GALA SpA

The pending disputes generated by the complex matter are summarised below.

Precautionary measures

Against the enforcement of guarantees issued, on 12 April 2017 GALA filed a cautionary appeal as per art. 700 of the Code of Civil Procedure against the collection on 12 April, obtaining a decree *inaudita altera parte*, which initially prevented areti from exercising its right to collect the guarantees. This decree was thereafter revoked by court order of 30 May 2017, which fully recognised the rights of areti.

On 1 June 2017, given the continuation of the serious breach of contract, areti notified the termination of the transport contract and also the collection of the additional contractual guarantees.

On 6 June, GALA appealed against the cautionary ordinance of 30 May and, again, on 9 June, submitted a second independent appeal for urgent measures before the Court of Rome, requesting a declaration of invalidity of the termination ordered on 1 June 2017 and initially obtaining the issuing of a decree *inaudita altera parte* in its favour.

On completion of both legal proceedings, the reasoning of areti was again completely recognised, with the issuing on 12 July of a board ordinance rejecting the appeal, following which the judge, called upon to decide on the second appeal as per art. 700 of the Code of Civil Procedure, asked the parties not to appear at the hearing, declaring that the appeal could not continue by ordinance of 13 July 2017.

The first judgement filed by the guarantor Euroins Insurance Plc

In July 2017, Euroins Insurance Plc, guarantor of GALA, independently introduced assessment proceedings to have declared the non-existence of its guarantee obligation. Areti requested to have that judgement consolidated with the ordinary judgement of opposition to the injunction order of the GSE for connection (see below).

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 € 5,000,000.00 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 paying directly to Areti the sum of € 5,000,000.00, plus legal interest.

On 8 June 2021, GALA made spontaneously the payment of what was provided for in the judgement, paying areti SpA the total amount of € 5,058,986.30, including plus legal interest (for € 58,986.30), with reservation of encumbrance and recovery of undue payments, also in relation to the demands that are the subject of the parallel civil dispute between the said GALA and areti (Court of Rome RG no. 18333/2018).

The writ of summons in appeal on the part of GALA was served on 10 December 2021.

Following the collection by areti of the payment made by GALA, the amount of the balance related to the application in question is € 5,457,604.33, compared to an amount received from CSEA of € 5,775,679.36, with a difference therefore of € 318,075.03. This last amount, therefore, under the terms of art. 3.2 of the AR-ERA Resolution of 17 November 2020, 461/2020/R/EEL, must be returned to CSEA by 31 August 2021, recognising default interest calculated according to the provision of paragraph 48.4 of the TIT.

The injunction issued in favour of GSE SpA

GSE SpA, after notifying areti to pay the general system charges due by GALA, even if it has not been paid, requested and obtained from the Court of Rome an injunction, not immediately enforceable, against areti for payment of part of these charges. The injunction was promptly opposed by areti with a writ of summons served to GSE and inscribed in the rolls in December 2017, with the simultaneous summons, as a guarantee, of GALA and its guarantors (China Taiping Insurance (UK) Co. Ltd and Insurance Company Nadejda), the first hearing scheduled for March 2019.

Note that in July 2018, in view of access to the mechanism provided for by ARERA resolution no. 50/2018/R/EEL of 1 February 2018 for “recognition of charges that would otherwise not be recoverable for failure to collect general system charges”, areti subsequently paid the GSE the sum specified in the opposed injunction.

Consequently, the Parties agreed to abandon the case, which was therefore declared extinguished with an order of 13 May 2020.

GALA's citation to areti, Acea Energia SpA and Acea SpA

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.

GALA also requested that the behaviour of areti and other defendant companies — Acea SpA and Acea Energia SpA — be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the Acea group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The case is currently pending before the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs.

areti SpA – Metanewpower

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 it repeatedly breached.

Judgement on guarantees

With summons served on 7 September 2018, Metanewpower (hereinafter also 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 the ordinary case.

After the hearing on 7 October 2020, the Judge, rejecting the counterparty's request for a technical expert, set the hearing for conclusions for 3 March 2022. We are awaiting the filing of the concluding briefs.

Precautionary measure

With an urgent *ante causam* appeal pursuant to art. 669 bis and 700 of the Italian Criminal Code, MNP brought an action before the Court asking it to order the suspension of the effects of the termination for non-fulfilment of the transport contract ordered by areti and of the request for enforcement of the guarantee policy issued by MNP on 26 September 2018, ordering areti to restore the execution of the energy transport contract.

By order of 15 November 2018, the Investigating Judge, lifting the reservation on the outcome of the hearing of the parties, granted the precautionary measure, recognising from a marginal standpoint the violation of the distributor's duty to cooperate despite Metanewpower's default, each party paying their own legal expenses.

Ordinary Judgement

Following the conclusion of the precautionary phase, with a summons served on 5 December 2018, MNP instituted ordinary proceedings, contesting the validity of the contractual clauses and claiming compensation for damages due to the annulment of the termination of the contract following the aforementioned Court order. The request, as most recently specified on the occasion of the preliminary pleadings, amounts to at least € 14.0 million. The first hearing was held on 4 November 2020. Specification of the conclusions was set for 7 December 2022. The judgement has not yet been issued.

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 9 March 2022.

areti SpA - Metaenergia SpA

In October 2018, the company Metaenergia SpA, which operates in the market of electricity sales to final customers, sued the distributor Areti, contesting the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the general system charges regardless of the actual collection from the final customer. The plaintiff company therefore demanded the return of the amounts paid as guarantee deposits and compensation for damages due to providing the guarantees for approximately € 320 thousand, alleging also abuse of a dominant position by the distributor areti. On the occasion of filing of the preliminary pleadings the compensation requested was quantified as more than € 9.0 million.

The hearing for specification of the conclusions was held on 13 January 2021 and, after the filing of the concluding pleadings, the Court, with a measure of 11 June 2021, after remission of the case to the enquiry stage, ordered an expert's report for ascertainment of the costs incurred by Metaenergia for providing the guarantees to cover the risk deriving from non-payment of the general system expenses collected or not collected from the final customer. After the expert's report had been presented, the hearing for specification of the conclusions was set for 10 March 2022.

GORI SpA – Consorzio di Bonifica Integrale del Comprensorio Sarno

The Consorzio di Bonifica Sarno sued the Company to order it to pay over € 20 million in concession fees due for the use of the consortium channels used to deliver the wastewater produced in the area under the Company's management. In particular, this quantification was derived from the acts of the Consortium, which unilaterally fixed the percentage of 45% (and then 26/62% from 2013) as part of the contribution relating to the collection of wastewater pertaining to GORI. In this regard, it should be noted that, as things stand, the agreement between the Consortium and GORI has not yet been defined (and therefore stipulated), so that the request for payment due to breach of contract would appear, *prima facie*, unfounded due to the absence of a contract, which is necessary in relations with a public administration like the Consortium. Moreover, the Company also highlighted the substantial irrelevance of the "benefit" received for the use of the consortium network. Moreover, in addition to the necessary contractualisation of the relationship, it is necessary that Ente Idrico Campano – i.e. the public administration competent according to the law – provide for the coverage of the alleged costs for concession fees (once the relevant calculation methods have been defined) in the IWS tariff of the OTA 3. Moreover, such costs – qualified as "updatable operating costs" pursuant to art. 27 of Annex A to the resolution of ARERA 664/2015/R/idr – are always recognised by the local regulatory authority (i.e. Campania Water Authority) and by the national regulatory authority (i.e. ARERA). That said, the Court considered it necessary to entrust a technical consultant with the task of "quantifying any amounts owed by the defendant GORI for consortium charges in relation to what was deducted in [the Consortium's] application on the basis of such obligation and the period of reference, including distinguishing the amounts year by year", "after examining the documentation produced and taking into account what was found therein". In the course of the expert appraisals, given the impossibility of determining a "contribution" that would have to be agreed upon during negotiations, the court-appointed expert asked the parties to produce documents and calculations in order to arrive to quantify the contribution due by the Company based on a logic specified by the expert. With the objection of the Consortium's legal counsel on the production of new documents, the expert concluded the appraisal, declaring that it was not possible to answer the questions based on the documents in the record alone. However, the expert filed a report declaring that it was impossible to quantify the contribution borne by GORI in proportion to the benefit based on a methodology consistent with the legislation of reference, but did identify an amount of over € 8 million which is the tax on the collection of wastewater borne by all members "without being able to specify the amount owed by GORI" pursuant to art. 13, paragraph 5 of Italian Law 4/2003 of the Campania Region for the years 2008-2016, lacking "any measure whatsoever regarding the direct benefit obtained and the flow of water discharged by GORI". As things stand, and as the case has been adjourned for a decision, we are awaiting the outcome.

GORI SpA Update of the 2016-2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

The Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA) appealed before the Campania RAC, Naples office, the resolution of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19/2016 of 08/08/2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17/07/2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution No 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, No 1619 of 29 June 2018 which confirmed the legitimacy of ARERA Resolution 104/2016/R/idr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District area. In this regard, following the aforementioned Ruling No 5309 of the Council of State of 13 July 2021, the Regional Administrative Court - deeming that there was a prejudicial relationship between the contested acts and the outcome of the appeal proceedings - ordered that the proceedings continue through the submission of a new request to set a hearing once the aforementioned Ruling No 5309/2021 of the Council of State has become final.

Proceeding AGCM A/513

On 8 January 2019, the Antitrust Authority notified Acea SpA, Acea Energia SpA and areti SpA of the final order for Proceeding A/513.

With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09.

Fully convinced of the illegitimacy of the measure imposed, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. With separate judgements on 17 October 2019 the appeals were accepted and, as a result, the sanction was cancelled.

With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 26 a on the Provision for risks and charges).

These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
Non-current assets	25,528	0	0	25,528	
Other equity investments	2,980	0	0	2,980	21
Financial assets	22,549	0	0	22,549	23
Current assets	0	71,678	1,771,875	1,843,553	
Trade receivables			1,071,644	1,071,644	25
Other current assets: fair value evaluation of differential and swap contracts on commodities	0	71,678	0	71,678	25
Current financial assets	0	0	407,944	407,944	25
Other current assets	0	0	292,288	292,288	25
Non-current liabilities	0	259,576	4,492,675	4,752,251	
Bonds	0	174,541	3,967,412	4,141,952	30
Payables to banks	0	85,035	525,263	610,298	30
Current liabilities	0	44,553	2,414,640	2,459,193	
Short-term bonds	0	0	15,945	15,945	32
Payables to banks	0	0	100,471	100,471	
Other financial payables	0	0	154,841	154,841	32
Other current liabilities: Fair value measurement of spread and swap contracts on commodities	0	44,553	0	44,553	32
Trade payables	0	0	1,706,363	1,706,363	32
Other liabilities	0	0	437,020	437,020	32

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk less and the risk less adjusted interest rate curves.

It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries. As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Commodity Risk

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

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;

- **Volume Risk:** the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

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

Specifically:

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

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

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

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

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

- to protect the primary margin against unforeseen and 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.

Forward contracts (for physical transactions for the purchase and sale of commodities) are stipulated to meet the expected requirements deriving from the contracts in the portfolio. .

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 at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

The Finance Department reports to the Managers on any discrepancies noted during controls, so that all measures suitable to limiting/eliminating the risk connected with exceeding this limit, can be adopted.

The objectives and policies for market risk, counterparty credit risk and regulatory risk management are detailed in the relevant section of the Report on Operations, to which reference is made.

It should be noted that the hedges effected on the purchases and sales portfolio were conducted with leading operators in the electricity market and the financial sector. Below, in accordance with former article 2427-bis of the Italian Civil Code, is the information necessary for the description of transactions carried out, aggregated by hedged index, effective as of 1 January 2022.

Instrument	Index	Purposes	Purchases/Sales	Fair value € thousand	Portion recognised to shareholders' equity	Portion recognised in the income statement
Swap, CFD	Energy_IT	Hedging Energy portfolio	Purchase of electricity	14,910	14,910	0
Swap, CFD	Gas_IT	Hedging Gas portfolio	Purchase of natural gas	12,215	12,215	0

The Group determines the classification of financial instruments at fair value, in accordance with the provisions of IFRS 13. The fair value of the assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, according to the inputs and valuation techniques used to measure fair value:

- level 1: prices listed (not adjusted) on a market for identical assets and liabilities;
- level 2: inputs other than listed prices pursuant to level 1, which can be observed for the asset or liability, both directly and indirectly;
- level 3 - inputs not based on observable market data. This note provides some detailed information on the valuation techniques and inputs used to prepare these valuations.

With regards to the type of derivatives for commodities for which fair value is determined, note that this is fair value level 1 as they are listed on active markets;

Finally, it should be noted that, as of 2014, the Group has applied the rules laid down in EC regulations 148 and 149/2013 (jointly and together with Regulation 648/2012, EMIR) and is currently defined as NFC (Non-Financial Counterparty).

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important

Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

At 31 December 2021 the Parent Company has uncommitted credit lines of € 429 million, of which € 21 million utilised. No guarantees were granted in obtaining these lines. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company.

Acea also has committed revolving lines for € 500 million, with an average maturity of around 1.5 years. Additionally, on 30 July 2020 Acea signed a new direct unsecured loan contract with the European Investment Bank for a total up to € 250 million, entirely available as of 31 December 2021, with an availability period through 30 July 2023 and final maturity not to exceed 15 years after disbursement. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 270 million.

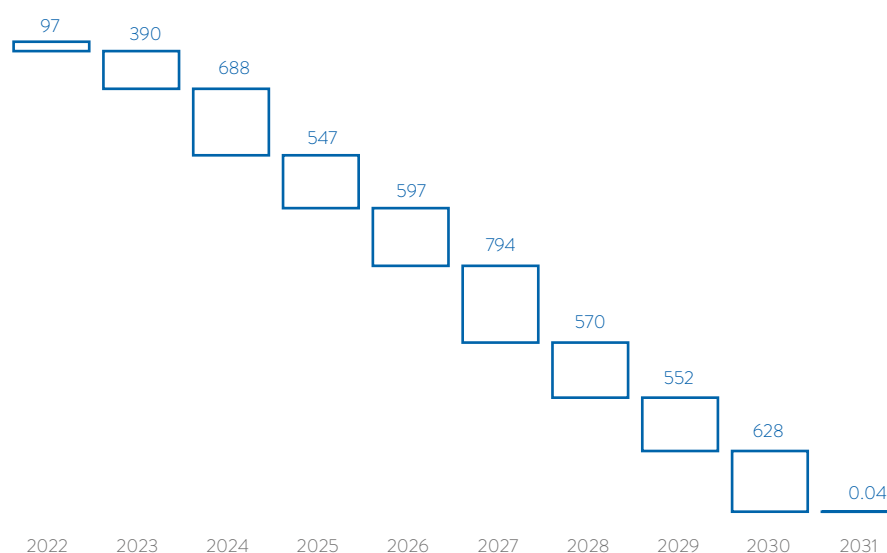
We can inform you that the EMTN Programme, resolved and established in 2014 for an initial amount of € 1.5 billion, has been adjusted over time. During 2021, it was further adjusted up to a total amount of € 5 billion. Following the bond issue in two tranches in green format of € 900 million in January 2021 and in virtue of the latest adjustment, Acea can place additional bond issues up to the total residual amount of € 1 billion.

The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.

Future evolution of 2022-2032

total debt maturities

€ million



Regarding the trade payables (€ 1,637.7 million) it should be noted that the portion which is due to expire in the next twelve months amounted to € 1,528.2 million. The amount already expired of € 109.5 million will be paid by the first quarter of 2022.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving

from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments. As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the medium/long-term consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (85.7%) as at 31 December 2021, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of

the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

Currently the Group does not use derivatives to hedge interest rate risk for Acea because on 21 December 2021 the plain vanilla IRS contract, entered into on 24 April 2008 with start date on 31 March 2008, expired. This had as its underlying the fixed rate loan entered into on 27 December 2007 of € 100 million with Cassa Depositi e Prestiti, which expired on the same date. In addition, a cross currency plain vanilla swap operation is in being as of 31 December 2021 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.

The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 22.4 million (a negative € 22 million at 31 December 2020)

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A-B)	Risk adjusted FV (C)	Delta (A-C)
Bonds	4,157,897	4,403,983	(246,086)	4,328,276	(170,379)
- fixed rate	183,184	214,779	(31,596)	213,233	(30,049)
- floating rate	353,711	356,687	(2,976)	352,015	1,696
- floating rate cash flow hedge	169,074	192,971	(23,897)	190,046	(20,973)
Total	4,863,866	5,168,421	(304,555)	5,083,570	(219,705)

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used. A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant

spread over the term structure of the risk-free interest rate curve. This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	Changes in Present Value € million
(1.5)%	(421.4)
(1.0)%	(284.8)
(0.5)%	(153.1)
(0.3)%	(88.9)
n.s.	0.0
0.25%	36.1
0.50%	96.9
1.00%	215.5
1.50%	330.1

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS 13.

Credit risk

As already indicated in the general part of the Report on Operations to which you are referred, Acea issued in July 2019 the new guidelines of the Group Credit Policy and the “Scoring and customer credit limit” procedure, which defines the methods for preventing credit risk (hereinafter “Credit Check”) on non-regulated markets.

The guidelines of the Credit Policy, of a general nature, based on the principle of decentralising the credit activities within the companies, identify, on the basis of a Governance matrix, the responsibilities of the Parent Company and those of the operating companies.

Based on the above guidelines, the companies are responsible for the operational management of active and discontinued loans of the entire receivable portfolio, with the exception of customers of a significant amount managed by Corporate Credit through law firms identified together with the Legal Affairs Department. For the authorised companies, the Collection Unit of Administration, Finance and Control proceeds, on appointment of the same, to recovery through tax injunctions.

The Corporate Credit Unit monitors the performance of receivables on an ongoing basis and provides periodic management reports (monthly) by segment and by company.

The following table shows the credit risk management of the main business areas of the group by number of customers/turnover. Relative to the areti, the credit component managed by the Company that indicates a possible risk factor is that invoiced to operators for sales activities relative to transportation of energy on the distribution network, for performances carried out for end customers and general system charges (these latter in turn paid to CSEA or the GSE). This risk was mitigated by regulatory changes implemented by ARERA, which introduced mechanisms for recognising amounts not collected.

Relative to the companies in the Commercial and Trading Segment, for supplies of electricity and gas on the free market, preventive credit risk identification is done through a credit scoring system, integrated into the user management system, allowing for real time assessment of the creditworthiness of potential clients when they are acquired:

- With regard to Mass Market and Small Business customers, the Credit Check system integrated in the CRM is directly usable by Acea Energia and the commercial agencies appointed thereby. Specific scorecards have been defined to statistically identify customers that are potentially unsuitable for the supply of electricity or gas, as they have a risk profile that is not in line with company standards;
- with reference to Large and Top customers, the investigation is performed in Acea SpA using a dedicated platform with specific workflows that support the timely analysis of prospective customers, thanks also to the availability of updated accounting and commercial information.

We can note also that in order to anticipate potential deteriorations in the performance of collection deriving from the current energy

scenario the rates related to the loss rate of invoices to be issued were reviewed on the basis of the latest records of unpaid amounts at 24 months, interpolating, for the most recent generations of turnover, the short-term unpaid rates (3M-6M-9M-12M-24M) on the basis of the historical correlations and the related volatility. Also note that Acea Energia uses the invoicing system both to manage credit relative to active users on the protected market and to manage credit for customers active on the free market, while receivables due from ceased customers are managed with dedicated software.

In the last two years, in-court and out-of-court recovery was strengthened, with specific reference to Legal Dispute activities, for receivables under the threshold for action through legal studies managed by the Acea Corporate Credit Unit, with a return to using services offered by market operators for the bulk recovery of receivables.

On the management side, activities successfully continued for the collection matching process, acting both on the collection channels and the application systems, and with regard to the number of dedicated employees.

The “large-ticket” customers that have ceased to be “large-ticket” customers following an internal collection process set up by Acea Energia are transferred to the Acea Corporate Credit Unit in the event of an unsuccessful outcome of the recovery, which then entrusts them in packages with uniform characteristics to law firms contracted by the Legal and Corporate Affairs Department.

Law firms are assessed on the basis of their recovery performance and are engaged in proportion to the results achieved.

With regards to companies in the Water Segment, it should be remembered that the Galli Law, which grants a single operator a thirty-year concession for the integrated water service in the Optimal Territorial Area, created a local monopoly in the management of this service.

These features of the water market are reflected when measuring credit risk which mainly applies to certain types of insolvency, in particular:

- receivables subject to tender procedures;
- receivables linked to termination of accounts without the creation of a new contractual relationship;
- receivables linked to special social situation, in which the operator due to reasons of public order and/or regional issues is not able to apply the typical risk protection instruments.

Essentially, users, also in typical cases when liquidity is lacking, tend to comply with their commitments relative to a primary service such as water, meaning the operator has risk of a mainly “financial” nature, that is associated with payment trends that tend to be slower on average with respect to trade receivables.

Legislators have taken action multiple time to adopt measures intended to limit late payments, in particular the recent resolution ARERA 311/2019/R/idr which published the REMSI provision, which contains the provisions for regulating late payments for the integrated water services (REMSI), as of 1 January 2020. This provision was subsequently amended with the resolution of 17 December 2019, 547/2019/R/idr, with resolution 26 May 2020, 186/2020/R/idr and resolution 16 June 2020, 221/2020/R/idr.

In this context, the Companies, consistent with the guidelines of the Acea Group’s credit policy, have identified different strategies that follow the Customer Care philosophy, based on the fundamental

presupposition of a direct relationship with users, as a distinctive element in creating an efficient process to constantly improve the net financial position.

Implementation of credit risk management strategies starts with a macro-distinction between public sector end users (Municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users;
- variable risk of insolvency and late payment risk for private sector end users.

As regards credits due from public sector end users, these are mainly converted to cash through without-recourse factoring to financial partners, while a residual portion is managed directly through the offsetting of receivables/payables or by means of settlement agreements.

Management of credit relative to “private” users involves a series of targeted action which range from amicable payment reminders, specific notices for condominium customers, formal notice of arrears, assignment to specialised or internal collection services via telephone, through to disconnection of defaulting end users, fac-

toring and assignment to legal studies for collection of credit via the courts.

These actions are carried out with methods and schedules governed by the REMSI provision.

Note that Ministry of Economy and Finance Decrees authorise Acea Ato2, Acea Ato5 and GORI are authorised to make use of forced collection and hence can directly issue tax injunctions and, in the case of persistent default, can register the receivables with injunctions.

For the above companies, tax injunctions represent the main judicial collection tool relative to ceased receivables.

Relative to other Group Segments, (Environment Segment, Engineering and Services Segment, Business Development Strategies, Production and Overseas), credit exposure is generally limited and concentrated with a few debtors, carefully managed by the operating companies with support, if necessary, from the Corporate Credit Unit.

The ageing of the Trade Receivables is as follows, gross of the allowance for doubtful accounts, detailed in Note 25.

- Total trade receivables, gross of Provision for Impairment of Receivables: € 1,622 million;
- Trade receivables due to expire: € 557 million;
- Past due trade receivables: € 1,065 million.

ANNEXES



A. LIST OF CONSOLIDATED COMPANIES

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

A. LIST OF CONSOLIDATED COMPANIES

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Environment Segment					
Acea Ambiente Srl	Via G. Bruno 7- Terni	2,224,992	100.00%	100.00%	Full
Aquaser Srl	P.le Ostiense, 2 - Rome	3,900,000	97.86%	100.00%	Full
Iseco SpA	Loc. Surpian n. 10 - 11020 Saint-Marcel (AO)	110,000	80.00%	100.00%	Full
Berg SpA	Via delle Industrie, 38 - Frosinone (FR)	844,000	60.00%	100.00%	Full
Demap Srl	Via Giotto, 13 - Beinasco (TO)	119,015	100.00%	100.00%	Full
Acque Industriali Srl	Via Bellatalla,1 - Ospedaletto (PI)	100,000	73.05%	100.00%	Full
Deco	Via Vomano, 14 - Spoltore (PE)	1,404,000	100.00%	100.00%	Full
AS Recycling	Via dei Trasporti, 14 - Carpi (MO)	1,000,000	90.00%	100.00%	Full
Ecologica Sangro	Strada Provinciale Pedemontana km 10 Frazione Contrada Cerratina - Lanciano (CH)	100,000	100.00%	100.00%	Full
Consorzio Servizi Ecologici del Frentano	Strada Provinciale Pedemontana km 10 - 66034 Frazione Cerratina - Lanciano (CH)	10,329	75.00%	100.00%	Full
MEG	Via 11 settembre, 8 - San Giovanni Illarione (VR)	10,000	60.00%	100.00%	Full
Ferrocarr. Srl	Via Vanzetti, 34 - Terni	80,000	60.00%	100.00%	Full
Cavallari Srl	Via dell'Industria, 6 - Ostra (AN)	100,000	60.00%	100.00%	Full
Commercial and Trading Segment					
Acea Energia SpA	P.le Ostiense, 2 - Rome	10,000,000	100.00%	100.00%	Full
Cesap Vendita Gas Srl	Via del Teatro, 9 - Bastia Umbra (PG)	10,000	100.00%	100.00%	Full
Umbria Energy SpA	Via B. Capponi, 100 - Terni	1,000,000	50.00%	100.00%	Full
Acea Energy Management Srl	P.le Ostiense, 2 - Rome	50,000	100.00%	100.00%	Full
Acea Innovation Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Overseas Segment					
Acea Dominicana SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	644,937	100.00%	100.00%	Full
Aguas de San Pedro SA	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6,457,345	60.65%	100.00%	Full
Acea International SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501 Santo Domingo	9,089,661	100.00%	100.00%	Full
Acea Perú SAC	Cal. Amador Merino Reyna, 307 Miraflores - Lima	177,582	100.00%	100.00%	Full
Consorcio Acea-Acea Dominicana	Av. Las Americas - Esq. Mazoneria - Ens. Ozama	67,253	100.00%	100.00%	Full
Consorcio Servicios Sur	Calle Amador Merino Reyna - San Isidro	33,834	51.00%	100.00%	Full
Consorcio Agua Azul SA	Calle Amador Merino Reyna 307 - Lima - Peru	16,000,912	44.00%	100.00%	Full
Consorcio Acea	Calle Amador Merino Reyna 307 - Lima - Peru	225,093	100.00%	100.00%	Full
Consorcio Acea Lima Sur	Calle Amador Merino Reyna 307 - Lima - Peru	0	100.00%	100.00%	Full
Consorcio Acea Lima Norte	Calle Amador Merino Reyna 307 - Lima - Peru	221,273	100.00%	100.00%	Full

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Water Segment					
Acea Ato2 SpA	P.le Ostiense, 2 - Rome	362,834,320	96.46%	100.00%	Full
Acea Ato5 SpA	Viale Rome snc - Frosinone	10,330,000	98.45%	100.00%	Full
Acque Blu Arno Basso SpA	P.le Ostiense, 2 - Rome	8,000,000	76.67%	100.00%	Full
Acque Blu Fiorentina SpA	P.le Ostiense, 2 - Rome	15,153,400	75.01%	100.00%	Full
Acea Molise Srl	P.le Ostiense, 2 - Rome	100,000	100.00%	100.00%	Full
Acquedotto del Fiora SpA	Via Mameli, 10 - Grosseto	1,730,520	40.00%	100.00%	Full
Gesesa SpA	Corso Garibaldi, 8 - Benevento	534,991	57.93%	100.00%	Full
GORI SpA	Via Trentola, 211 - Ercolano (NA)	44,999,971	37.05%	100.00%	Full
Ombrore SpA	P.le Ostiense, 2 - Rome	6,500,000	99.51%	100.00%	Full
Sarnese Vesuviano Srl	P.le Ostiense, 2 - Rome	100,000	99.16%	100.00%	Full
Umbriadue Servizi Idrici Scarl	Strada Sabbione zona ind. A72 - Terni	100,000	99.40%	100.00%	Full
AdistribuzioneGas Srl	Via L. Galvani, 17/A - 47122 Forlì	583,644	51.00%	100.00%	Full
Servizi Idrici Integrati Scpa	Via I Maggio, 65 Terni	19,536,000	40.00%	100.00%	Full
Agile Academy Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Notaresco Gas Srl	Via Padre Frasca, s.n., frazione Chieti Scalo Centro Dama	100,000	28.05%	100.00%	Full
Energy Infrastructure Segment					
Areti SpA	P.le Ostiense, 2 - Rome	345,000,000	100.00%	100.00%	Full
Generation Segment					
Acea Produzione SpA	P.le Ostiense, 2 - Rome	5,000,000	100.00%	100.00%	Full
Acea Liquidation and Litigation Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Ecogena Srl	P.le Ostiense, 2 - Rome	1,669,457	100.00%	100.00%	Full
KT 4 Srl	Viale SS Pietro e Paolo, 50 - Rome	250,000	100.00%	100.00%	Full
Solaria Real Estate Srl	Via Paolo da Cannobio, 33 - Milan	176,085	100.00%	100.00%	Full
Acea Solar Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Acea Sun Capital Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Trinovolt Srl	Viale Tommaso Columbo, 31/D - Bari (BA)	10,000	100.00%	100.00%	Full
Marche Solar Srl	Via Achille Grandi 39 - Concordia sulla Secchia (MO)	10,000	100.00%	100.00%	Full
Fergas Solar Srl	Via Pietro Piffetti, 19 - 10143 Turin	10,000	100.00%	100.00%	Full
Euroline 3 Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
IFV Energy Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
PF Power of Future Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
JB Solar Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
M2D Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
PSL Srl	Via Ruilio, 18/20 - Catania	15,000	100.00%	100.00%	Full
Solarplant Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Acea Green Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Acea Renewable Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Engineering and Services Segment					
Acea Elabiori SpA	Via Vitorchiano - Rome	2,444,000	100.00%	100.00%	Full
SIMAM SpA	Via Cimabue, 11/2 - 60019 Senigallia (AN)	600,000	70.00%	100.00%	Full
Technologies For Water Services SpA	Via Ticino, 9 - 25015 Desenzano del Garda (BS)	11,164,000	100.00%	100.00%	Full

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation	Value at 31/12/2021
Environment Segment						
Picenambiente SpA	Contrada Monte Renzo, 25 - 63074 San Benedetto del Tronto (AP)	5,500,000	21.80%	21.80%	Equity	3,088,320
Ecomed Srl	P.le Ostiense, 2 - Rome	10,000	50.00%	50.00%	Equity	0
Water Segment						
Acque SpA	Via Garigliano, 1 - Empoli	9,953,116	45.00%	45.00%	Equity	102,779,642
Acque Servizi Srl	Via Bellatalla, 1 - Ospedaletto (Pisa)	400,000	100.00%	45.00%	Equity	4,871,820
Geal SpA	Viale Luporini, 1348 - Lucca	1,450,000	48.00%	48.00%	Equity	8,062,897
Intesa Aretina Scarl	Via B. Crespi, 57 - Milan	18,112,000	35.00%	35.00%	Equity	5,709,832
Nuove Acque SpA	Patrignone Loc. Cuculo - Arezzo	34,450,389	46.16%	16.16%	Equity	7,160,896
Publiacqua SpA	Via Villamagna - Florence	150,280,057	40.00%	40.00%	Equity	110,455,221
Umbra Acque SpA	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.00%	40.00%	Equity	21,224,547
Engineering and Services Segment						
Ingegnerie Toscane Srl	Via Francesco de Sanctis, 49 - Florence	100,000	98.90%	44.10%	Equity	13,477,703
Visano Scarl	Via Lamarmora, 230 - 25124 Brescia	25,000	40.00%	40.00%	Equity	10,329
Generation Segment						
Belaria Srl	Via Luciano Manara, 15 - Milan	10,000	49.00%	49.00%	Equity	0
Energia SpA	Via Barberini, 28 - 00187 Rome	239,520	49.90%	49.90%	Equity	12,920,333

The following companies are also consolidated using the equity method:

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation	Value at 31/12/2021
Environment Segment						
Amea SpA	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.00%	33.00%	Equity	0
Coema	P.le Ostiense, 2 - Rome	10,000	67.00%	33.50%	Equity	0
Overseas Segment						
Aguaazul Bogotá SA	Calle 82 n. 19°-34 - Bogotá - Colombia	652,361	51.00%	51.00%	Equity	1,021,990
Water Segment						
Le Soluzioni Scarl	Via Garigliano, 1 - Empoli	250,678	80.84%	51.63%	Equity	502,365
Sogea SpA	Via Mercatanti, 8 - Rieti	260,000	49.00%	49.00%	Equity	0
Umbria Distribuzione Gas SpA	Via Bruno Capponi 100 - Terni	2,120,000	15.00%	15.00%	Equity	504,885
Generation Segment						
Citelum Napoli Pubblica Illuminazione Scarl	Via Monteverdi Claudio, 11 - Milan	90,000	32.18%	32.18%	Equity	-
Sienergia SpA (in liquidation)	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%	42.08%	Equity	-
Other						
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine, 40 - Rome	10,000	33.00%	33.00%	Equity	0

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

€ thousand	Profit for the year		Shareholders' equity	
	2021	2020	31/12/2021	31/12/2020
Balances in statutory financial statements (Acea)	177,040	177,761	1,656,139	1,643,607
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	129,808	104,710	(22,138)	(100,898)
Consolidation goodwill	(17,119)	(12,187)	360,125	308,250
Accounted for using the equity method	29,872	24,550	170,084	147,817
Other changes	(6,292)	(9,886)	(40,239)	(33,947)
Balances in consolidated financial statements	313,309	284,948	2,123,971	1,964,829

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

Board of Directors and Board of Statutory Auditors

€ thousand		Remuneration due			
		Remuneration for the office	Non-monetary Benefits	Bonuses and other incentives	Other compensation
Board of Directors	Total		27	230	1,041
Board of Statutory Auditors	364		0	0	0
					1,532
					364

Key Managers

Total fees due to executives with strategic responsibilities for 2021 amounted to:

- salaries and bonuses € 863 thousand,
- non-monetary benefits € 55 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

Auditing Firm

In accordance with article 149 duodecies of CONSOB Issuers' Regulations, the fees accrued by the independent auditors PWC in 2021 are provided in the table below.

€ thousand	Audit-related service	Audit Services	Non-audit services	Total
Acea SpA	185	195	201	581
Acea Group	221	1,042	0	1,263
Total Acea SpA and Group	406	1,237	201	1,844

The services other than auditing provided to the Parent Company or its subsidiaries during 2021 are highlighted, mainly concerning

assistance in carrying out the 262/05 tests identified by the Acea Group.

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

On the basis of the recent changes on the subject of transparency in the public disbursements system pursuant to art. 1, paragraph 125, Italian Law 124/2017, it is declared that during 2021 Acea Elabiori collected € 91 thousand as first tranche of a Horizon 2020 loan for the European Green Deal with PROMISCES for a total of € 378 thousand. In addition on the Group tax credits were recognised for expenses in advertising investments pursuant to art. 4 second paragraph of Italian Prime Ministerial Decree no. 90 of 2018 for a total of € 185 thousand.

It is specified that the 2021 collections deriving from green certificates, white certificates and energy accounts are not specified since they constitute a payment for supplies and services rendered. It should be noted that areti has two loans granted by Cassa Depositi e Prestiti SpA and UBI Banca SpA pursuant to Italian Law no. 311, art. 1, paragraphs 354 to 361 of 30 December 2004 and subsequent amendments and additions and of Italian Law no. 46 of 17 February 1982, granted for the implementation of an investment programme permitted by the Ministry of Economic Development for the allowances envisaged by the aforementioned laws (Smart Network Management System Project). The loan is made up of a subsidised amount paid by Cassa Depositi e Prestiti and UBI Banca at a fixed rate of 0.5% and a non-subsidised bank loan provided by UBI Banca at a variable rate equal to the Euribor six-month rate plus a spread of 4%, both to be repaid according to an amortisation plan that will end in 2022. The debt relating to the subsidised loan as at 31 December 2021 is equal to € 1,709 thousand (€ 3,409 thousand at 31 December 2020) while the non-subsidised bank loan at 31 December 2021 is equal to € 380 thousand (€ 758 thousand at 31 December 2020).

Finally, it is useful to recall that the rules contained in article 1, paragraphs 125-129 of Italian law no. 124/2017 still present many critical issues that lead to believe that further regulatory action is desirable. Therefore, the above concerning the reported information represents the best interpretation of the law.

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:

- energy refers to the Commercial and Trading Segment which, from an organisational standpoint, is responsible for Acea Energia, Aema, Umbria Energy, Acea Innovation and Cesap Vendita Gas;
- 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, distribution and public lighting;
- Analysis and research services refer to the Engineering and Services Segment, which, from an organisational standpoint, is responsible for Acea Elabiori, TWS and SIMAM;
- Overseas refers to the Industrial Segment of the same name which, from an organisational standpoint, is responsible for operations overseas;
- Water refers to the Industrial Segment of the same name, which, from an organisational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria and the gas distribution companies operating in Abruzzo,

Environment refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocart, Cavallari, Deco, Ecological Sangro and Meg.

It should be noted that the comparative figures have been reclassified for insignificant amounts for the sake of clarity.

Balance sheet Assets 2020

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Capex	23,566	44,111	3,097	475,951	38,978
Sector assets					
Total property, plant and equipment	257,074	(2,965)	31,820	110,728	274,006
Total intangible fixed assets	36,064	189,914	37,521	3,330,395	56,341
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	6,851	402	1,524	19,642	385
Receivables from customers	87,500	221,456	7,818	525,745	32,264
Receivables from Parent Company	361	16,323	-	28,100	5,191
Receivables from associates	25	1,385	3	31	-
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
Total assets					

Balance sheet Liabilities 2020

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Segment liabilities					
Trade payables to third parties	64,623	432,792	3,087	708,365	30,464
Trade payables to Parent Company	4,050	24,987	67	146,035	2,769
Trade payables to subsidiaries and associates	17	3,546	148	6,251	-
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	10,700	4,908	319	36,211	2,538
Other provisions	22,267	16,257	263	52,792	22,274
Provision for deferred taxes					
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
Total liabilities and shareholders' equity					

Income statement 2020

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment
Revenues	200,013	1,593,022	62,351	1,180,788
Personnel costs	27,307	23,849	12,688	106,585
Purchase of electricity	4,872	1,400,338	-	62,829
Sundry costs of materials and overheads	117,492	95,812	24,384	424,600
Costs	149,671	1,519,998	37,073	594,014
Net income/(expense) from commodity risk management	-	(330)	-	-
Valuation of companies using the equity method	(7)	-	-	29,529
EBITDA	50,335	72,415	25,278	614,355
Depreciation and amortisation	30,929	60,609	13,168	304,482
Operating profit/(loss)	19,406	11,806	12,110	309,873
Financial (costs)/income				
(Expenses)/Income from equity investments	-	-	-	10,786
Profit/(loss) before tax				
Taxes				
Net profit/(loss)				

Generation Segment	Areti	Public Lighting	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
79,215	577,304	41,386	86,455	131,090	(572,722)	3,378,902
4,622	26,128	5,887	37,078	61,557	(38,050)	267,651
8,708	111,327	4,460	78	884	(242,861)	1,350,634
20,338	70,236	33,099	37,042	103,205	(290,405)	635,802
33,667	207,692	43,446	74,197	165,646	(571,316)	2,254,088
-	-	-	-	-	-	(330)
308	-	-	2,438	-	(1,948)	30,319
45,856	369,612	(2,060)	14,696	(34,556)	0	1,155,463
27,251	156,492	1,971	4,440	21,141	-	620,483
18,605	213,120	(4,032)	10,256	(55,697)	0	534,980
						(88,018)
3,227	-	-	1,878	253	(1,901)	14,243
						461,205
						134,648
						326,558

Balance sheet Assets 2021

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Capex	36,122	49,392	4,590	522,092	39,442
Sector assets					
Total property, plant and equipment	298,039	(589)	33,583	130,783	216,625
Total intangible fixed assets	153,968	199,095	35,593	3,559,822	1,352
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	9,347	3,727	1,824	19,312	640
Receivables from customers	103,515	335,508	8,135	482,339	43,345
Receivables from Parent Company	216	14,480	-	26,110	515
Receivables from associates	4	(84)	2	170	5
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
Total assets					

Balance sheet Liabilities 2021

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Segment liabilities					
Trade payables to third parties	72,838	671,633	2,952	701,790	31,906
Trade payables to Parent Company	7,049	30,176	67	142,560	4,334
Trade payables to subsidiaries and associates	8	69	133	5,897	-
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	11,659	4,687	401	35,666	2,762
Other provisions	58,306	19,130	256	50,478	21,069
Provision for deferred taxes					
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
Total liabilities and shareholders' equity					

Areti	Public Lighting	Adjustments	Energy Infrastructure Segment	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
270,634	3,876	-	274,509	9,860	34,400	-	970,407
2,130,541	10,776	-	2,141,317	17,261	104,755	(928)	2,940,844
102,820	-	-	102,820	25,376	63,863	(377,519)	3,764,370
							292,239
							2,980
							778,671
							22,549
37,898	-	-	37,898	19,104	-	(5,446)	86,406
165,825	700	-	166,525	45,254	615	(158,228)	1,027,007
3,691	57	-	3,748	92	(27)	(10,663)	34,472
-	-	-	-	4,660	178,639	(173,231)	10,165
							411,996
							407,944
							680,820
							168,425
							10,628,886,139

Areti	Public Lighting	Adjustments	Energy Infrastructure Segment	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
178,555	10,739	-	189,294	20,557	116,406	(169,637)	1,637,739
39,666	26	-	39,692	4,552	182	(166,150)	62,462
-	8,136	-	8,136	-	3,196	(11,276)	6,163
							558,967
							285,222
39,326	-	-	42,088	5,315	20,334	-	120,150
25,707	-	-	25,707	2,222	(7,123)	23,275	193,318
							-
							409,064
							4,791,979
							47,402
							2,516,420
							10,628,886

Income statement 2021

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment
Revenues	234,687	2,078,340	77,073	1,221,186
Personnel costs	30,458	23,956	20,911	113,641
Purchase of electricity	9,580	1,844,790	-	52,970
Sundry costs of materials and overheads	130,909	129,075	28,774	415,974
Costs	170,947	1,997,821	49,685	582,585
Net income/(expense) from commodity risk management	-	-	-	-
Valuation of companies using the equity method	(14)	-	-	16,695
EBITDA	63,727	80,519	27,388	655,296
Depreciation and amortisation	31,194	65,939	10,982	347,636
Operating profit/(loss)	32,533	14,580	16,407	307,660
Financial (costs)/income				
(Expenses)/Income from equity investments	191	-	2,592	4,743
Profit/(loss) before tax				
Taxes				
Net profit/(loss)				

Generation Segment	Areti	Public Lighting	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
125,360	584,803	41,214	108,505	140,226	(639,351)	3,972,044
1,118	26,482	5,349	38,567	61,862	(46,526)	275,819
15,027	110,649	3,982	71	810	(296,478)	1,741,401
30,613	73,085	34,858	56,039	116,816	(296,347)	719,798
46,758	210,217	44,190	94,677	179,489	(639,351)	2,737,018
-	-	-	-	-	-	-
936	-	-	3,432	-	-	21,048
79,538	374,586	(2,976)	17,260	(39,263)		1,256,075
30,185	152,345	1,830	6,726	28,138	-	674,974
49,352	222,242	(4,806)	10,534	(67,401)		581,101
						(85,897)
152	-	-	-	121	-	7,798
						503,002
						150,662
						352,340



Independent auditor's report

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

Acea SpA

***Consolidated Financial Statements
as of 31 December 2021***



Independent auditor's report

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

To the Shareholders of
Acea SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Acea Group, (the Group), which comprise consolidated statement of financial position as of 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity for the year then ended, consolidated cash flows statement and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Emphasis of matter

We draw your attention to paragraph "Trend of operating segments – Operating Segments - Water" of the report on operations and to paragraphs "Goodwill" and "Service Concession Arrangements" of the notes which describe:

- the fact that actions are under consideration by Acea SpA that aim at securing the subsidiary

PricewaterhouseCoopers SpA

Sede legale: Milano 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785296 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 071 2332311 - Bari 70122 Via Abate Ginnia 72 Tel. 080 5640221 - Bergamo 24121 Largo Belotti 5 Tel. 035 229691 - Bologna 40126 Via Angelo Floridi 8 Tel. 051 6486221 - Brescia 25122 Viale Duca d'Aosta 28 Tel. 030 3607501 - Catania 95129 Corso Italia 302 Tel. 095 7532321 - Firenze 50121 Viale Gramsci 15 Tel. 055 2482811 - Genova 16121 Piazza Picciopetra 9 Tel. 010 24041 - Napoli 80121 Via del Mille 16 Tel. 081 25181 - Padova 35138 Via Vicenza 4 Tel. 049 873480 - Palermo 90141 Via Marchese Ugo 60 Tel. 091 340727 - Parma 43121 Viale Tanara 20/A Tel. 0521 27941 - Pescara 66127 Piazza Ettore Troilo 8 Tel. 085 4543711 - Roma 00154 Largo Fochetti 29 Tel. 06 370251 - Torino 10122 Corso Palestro 10 Tel. 011 550771 - Trento 38122 Viale della Costituzione 33 Tel. 0461 237004 - Treviso 31150 Viale Pellissier 90 Tel. 0422 69691 - Trieste 34125 Via Cesare Battisti 18 Tel. 040 3480781 - Udine 33100 Via Foscolo 43 Tel. 0432 25789 - Varese 21100 Via Albuzzi 43 Tel. 0332 285039 - Verona 37135 Via Francia 21/C Tel. 045 8265001 - Vicenza 36100 Piazza Pontelindolfo 9 Tel. 0444 39331

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Acea Ato5 SpA from the financial imbalance arisen following the Area Authority's approval of the 2020-2023 tariff structure which highlighted material uncertainty that may cast significant doubt on the subsidiary's ability to continue as a going-concern, as well as the uncertainties related to said company connected with (i) the ongoing tax litigation and (ii) the complex in and out of court legal dispute with the Area Authority related to the termination of the concession agreement, the approval of the 2016-2019 and 2020-2023 tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;

- the complex regulatory measures, with particular reference to what lies behind the approval process of water tariffs.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Determination of revenue from sales and services and receivables for invoices to be issued

Note 1 "Revenue from sales and services" and note 25.b "Trade receivables" to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2021 receivables from users for invoices to be issued for an amount equal to Euro 503 million compared to revenue from sales and services amounting to Euro 3,816 million.

The Group recognises revenue from sales and services when control of the good is actually transferred or when a service is rendered in accordance with the requirements of IFRS 15 "Revenue from contracts with customers".

In particular:

The audit procedures we performed consisted in understanding, assessing and validating the operation of relevant controls implemented by management as part of the revenue cycle, with particular, but not exclusive, reference to the update of the customer database, the recognition of meter readings, consumption estimates, the calculation of tariffs and the valuation of invoices and receipts, as well as the related disclosure provided by the directors.

Moreover, we performed the following specific substantive tests for each type of revenue.



<p>i) Revenues from the sale and transport of electricity and gas are recognised at the time the service is supplied or provided, even if they are not invoiced, and are determined by adding estimates on the volumes supplied/transported to revenues that are calculated on the basis of pre-established meter reading calendars.</p> <p>ii) Revenues from distribution of electricity take into account the tariffs and the restriction on revenue established by the Italian Regulatory Authority for Energy, Networks and the Environment ("ARERA"). Moreover, if the admission of investments in tariffs that establishes the operator's right to payment is virtually certain, the corresponding revenues are recognised as determined by the ARERA Resolution 654/2015 (the so-called regulatory lag).</p> <p>iii) Revenues from integrated water service are determined on the basis of the estimated consumption for the period and of the tariffs and of the operator's Guaranteed Revenue Constraint (GRC) provided for in the tariff plan prepared in accordance with the Water Pricing Method applied for the calculation of the 2020-2023 tariffs and approved by the competent authorities. Furthermore, the Group recognises under revenues for the year adjustments for the so-called pass-through items, as well as any adjustment related to costs pertaining to the Integrated Water Service incurred for the occurrence of exceptional events (i.e. water and environmental emergencies), if the preliminary investigation for their recognition has given positive results.</p>	<p>i) <u>Revenues from the sale and transport of electricity and gas</u></p> <ul style="list-style-type: none"> We compared the electricity and gas quantities sold included in the billing system with the data communicated by the distributors and the quantities purchased, in order to establish the reasonableness of the estimated quantities sold still to be billed; We verified the correct valuation of invoices to issue based on the estimated quantities sold but not yet invoiced and the tariffs in force in the period under analysis. <p>ii) <u>Revenues from electricity distribution</u></p> <ul style="list-style-type: none"> We compared the quantities distributed included in the billing system with the quantities supplied to the grid communicated by the dispatcher net of expected grid losses, in order to ascertain the reasonableness of the estimated quantities distributed not yet invoiced; We tested the correct valuation of invoices to issue on the basis of the estimated distributed quantities still to be invoiced and of the tariffs in force in the period under analysis; We verified the correct calculation of receivables/payables for the electricity equalisation to the extent of the difference between sales revenues invoiced/to be invoiced to customers and the regulatory revenues attributable to the year and established by the ARERA; We verified the consistency of the methods followed to determine the accruals for the "regulatory lag". <p>iii) <u>Revenues from the integrated water service</u></p> <ul style="list-style-type: none"> We reconciled revenues from the integrated water service with the GRC adjusted to reflect the adjustments to the pass-through items and those related to the costs incurred in consequence of exceptional events occurred; We verified the correct determination of receivables for invoices to be issued for tariff adjustments to an extent equal to the difference between
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The methods to determine allocations for invoices to be issued are based on the use of complex algorithms and include significant estimates. Therefore, we paid particular attention to the risk of wrong calculation of revenues from sales and services and of the related receivables from users for invoices to be issued.



revenues for bills issued /to be issued
and the adjusted GRC.

Investments and disinvestments of non-current assets and impairment test

Note 14 "Tangible fixed assets", note 16 "Goodwill", note 17 "Concessions and rights on infrastructure" and note 18 "Intangible fixed assets" to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2021 non-current assets equal to Euro 6,705 million, of which Euro 2,938 million related to tangible assets, Euro 3,701 million related to intangible assets (including concessions and goodwill).

The Group investments in the period totalled Euro 998 million, of which Euro 355 million related to tangible assets and Euro 643 million related to intangible assets (including concessions and goodwill).

In this respect, we highlight that for regulated activities (in particular the integrated water service and the electricity distribution), the tariffs and, accordingly, the Group's revenues are directly influenced by the amount of the invested capital and therefore by changes in non-current assets. As a result, the overestimate or underestimate of the abovementioned non-current assets could increase or decrease the tariffs applied to final users under the performance of the integrated water service and the transport of electricity.

Annually, the Group, on the basis of its internal procedures, performs the impairment test pursuant to IAS 36 "Impairment of assets" using the Discounted Cash Flow method to determine the recoverable amount of assets. The impairment test is based on a two-level approach. A first level concerns the estimate of the recoverable amount of the Group's industrial plants and a second level relates to the estimate of the recoverable amount of the CGUs that include goodwill. In particular, goodwill is tested for impairment at least annually and with the same frequency, in compliance with a

We addressed our compliance procedures in order to comprehend, evaluate and validate the internal control system with reference to the corporate processes related to the management of non-current assets.

Our substantive tests were focused on the analysis of the changes in non-current assets during the financial year, verifying that they were reconciled with the fixed asset register, with the supporting documentation about a sample of investments and divestments during the year, especially in the integrated water service and in the electricity distribution segments.

With reference to these segments, we verified if the requirements for the capitalization of internal and external costs provided for by IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" had been complied with, we checked the existence of the services capitalized, that is if the service or goods being verified had been actually rendered or delivered/installed and correctly recognised.

With reference to the impairment test, we addressed our audit procedures in order to:

- i) assess the consistency of the estimate method used by the Group with the provisions of IAS 36 and the valuation practice,
 - ii) verify the process of identification of the Cash Generating Units (CGUs), based on the current organisational structure,
 - iii) verify the appropriateness of the types of cash flows used and their consistency with the Group's Industrial Plan;
 - iv) verify the reasonableness of the main
-



specific internal policy, the impairment test is carried out on the Group's industrial plants, also without any impairment indicators. The recoverability assessment was carried out on the basis of the cash flows under the 2020-2024 Business Plan of the Group approved by the Board of Directors on 27 October 2020 and updated to take account of the events occurred between the date of approval of the Plan and the date of approval of the financial statements.

With reference to FY2021 the Company's management availed itself of an external expert for the performance of the impairment test.

Considering the numerous changes occurred during the year in the assets of the regulated activities and the complexity of estimating the recoverable value of the above-mentioned assets, which are based on evaluation assumptions affected by economic, financial and market conditions that are difficult to predict, as part of our auditing we devoted special attention to this financial statement area.

assumptions used by management to perform the impairment test and related sensitivity analyses on all the CGUs, with particular reference to the subsidiary Acea Ato5 in relation to the uncertainties connected thereto; and evaluate the independence, technical capabilities and related objectivity of the external expert engaged by the management for the performance of the impairment test, as well as the methods used by him.

As part of our auditing we were supported, where necessary, by our PwC network experts in valuations.

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

Determination of the provision for doubtful accounts – trade receivables

Note 25.b "Trade receivables" of the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2021 a provision for doubtful trade accounts for an amount equal to Euro 595 million.

At each reporting date the Group estimates the irrecoverable amount of trade receivables based on complex calculation models which rely upon the requirements in the accounting standard IFRS 9 "Financial Instruments".

The estimate of the recoverability of trade receivables is characterised by a specific complexity related to the high number of customers and to the fragmentary nature of the amounts. Furthermore, the evaluations are affected by different socio-economic variables related to the different categories of customers, in addition to geo-political

We addressed our audit procedures in order to verify the correctness of the reports generated by the information systems and used by the directors in order to determine the Expected Credit Losses that can be attributed to the balance of receivables from specific customers or customer clusters. We also tested the reasonableness of the assumptions underlying the calculation model.

Through inquiries of the credit managers of the Group and of individual companies, we evaluated, on a sample basis, certain specific positions by analysing the lawyers' replies to the requests for information, by examining the guarantees given by the various customers and by assessing any other piece of information gathered after the reporting date.

Finally, we verified the consistency of the method used by the Company with the provisions of IFRS 9 and the accuracy of the



factors. Therefore, as part of our audit activities we paid particular attention to the risk of a wrong quantification of the estimate under examination.

mathematical calculation for the determination of the expected credit losses, as well as the related disclosure provided by the directors.

Business combinations

“Business combinations” section of the consolidated financial statements

During 2021, the Group continued the acquisition process started in the last quarter of 2019. In detail, seven companies were acquired in FY 2021, four of which in the Generation business segment and three in the Environment business segment. Control of the aforesaid companies, recognised in accordance with IFRS 3 “Business combinations”, was obtained through the acquisition of the majority of the capital shares.

The allocation of the price paid required a significant estimation process considering the assumptions used to determine the fair value of the acquired assets and liabilities. For such matters, the directors were supported, when deemed necessary, by external experts.

Due to the number of acquisitions and the complex issues underlying the related measurement and recognition process, we paid particular attention to such financial statement matter.

We addressed our audit procedures in order to verify the methodological correctness of the accounting process underlying the acquisitions.

Furthermore, we verified that assets and liabilities were appropriately identified as well as the reasonableness of the assumptions underlying the directors’ estimates to determine the related fair value and the allocation of the price paid.

We evaluated the independence, technical capabilities and the objectivity of the external experts involved, as well as the methods used by them.

As part of our audit activities, we availed ourselves, where necessary, of the support of the PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors with reference to the business combinations performed and the related financial statement items.

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

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

The directors are responsible for assessing the Group’s ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend



to liquidate the parent company Acea SpA or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

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

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.



Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Acea Group as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Acea Group as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Acea Group as of 31 December 2021 and are prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Acea SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 6 April 2022

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

(in accordance with art. 154-bis of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Giuseppe Gola, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company Acea SpA, taking also account of provisions envisaged by Art. 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the consistency to the business characteristics and
- the effective application

of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2021.

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

3. It is also certified that:

3.1 the consolidated financial statements:

- a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
- b) are consistent with the underlying accounting books and records,
- c) provide a true and correct view of the operating results and financial position of the issuer and the overall of companies included in the consolidation,

3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 06 April 2022

signed by:

Giuseppe Gola, the CEO

signed by:

Fabio Paris, the Executive Responsible
for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers

