



**ALIA SERVIZI
AMBIENTALI**
SpA

FINANCIAL STATEMENTS 2022

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Alia Servizi Ambientali S.p.A.

Registered office in Florence, Via Baccio da Montelupo no. 52

Share Capital € 359,319,429.00 Fully paid-up

Tax Code 04855090488

Florence Register of Companies 04855090488

Florence R.E.A. (Administrative Economic Register) no. 491894

Corporate Bodies

Board of Directors (1)

Chairman Nicola Ciolini (2)

Vice-Chairman Claudio Toni (3)

Vice-Chairman Alberto Irace (4)

Director Francesca Vignolini (5)

Director Vanessa De Feo (6)

Director Francesca Calamai (7)

Director Francesca Panchetti (7)

Director Nicola Perini (7)

Director Filippo Sani (7)

Director Marco Baldassarri (7)

Director Lorenzo Perra (7)

Board of Statutory Auditors (8)

Chairman Stefano Pozzoli

Standing auditor Silvia Bocci

Standing auditor Gabriele Turelli

Alternate auditor Antonella Giovannetti

Alternate auditor Fausto Antonio Gonfiantini

Financial Reporting Manager

Francesco Natali

Independent Auditors

PricewaterhouseCoopers S.p.A. (9)

- (1) Appointed by the Shareholders' Meeting held on 22 December 2020 for the three-year period 2020-2021-2022.
- (2) Appointed as Chairman by the Shareholders' Meeting held on 22 December 2020.
- (3) Appointed as Vice-Chairman by the Shareholders' Meeting held on 22 December 2020.
- (4) Appointed as Chief Executive Officer during the Board of Directors' meeting held on 22 December 2020. Until that date the position had been held by Alessia Scappini, appointed during the Board of Directors' meeting held on 25 September 2018
- (5) Appointed by the Shareholders' Meeting held on 22 December 2020.
- (6) Appointed by the Shareholders' Meeting held on 22 December 2020.
- (7) Appointed by the Shareholders' Meeting held on 10 February 2023.
- (8) Appointed by the Shareholders' Meeting held on 22 December 2020 for the three-year period 2020-2021-2022.
- (9) Appointed by the Shareholders' Meeting held on 16 February 2017 for the nine-year period 2017-2025.

Notice of call of the Ordinary Shareholders' Meeting

The Shareholders of "ALIA Servizi Ambientali S.p.A." are invited to an Ordinary Shareholders' Meeting to be held on first call on 26 May 2023, at 11:00 a.m. at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo 52 and, if necessary, on second call, on 26 June 2023 at 9:00 a.m. at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo no. 52 and, in any case, by audio/videoconference call, as required by Article 106 of Decree Law 18 of 17 March 2020 and Article 15 of the Articles of Association, in order to discuss and pass resolutions on the following

Agenda:

1) Financial Statements at 31 December 2022, Board of Directors' report, Board of Statutory Auditors' Report and Independent Auditors' Report: related and consequent resolutions.

Presentation of the Consolidated Financial Statements at 31 December 2022.

Presentation of the Consolidated Non-Financial Statement at 31 December 2022 prepared pursuant to Legislative Decree 254/2016.

The Chairman of the Board of Directors

Nicola Ciolini

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	NOTES	2022	2021
Property, plant and equipment	1	16,383,445	15,232,690
Concession rights	2	274,172,281	210,045,179
Rights of use	3	1,660,637	1,326,818
Other intangible assets	4	86,404	55,176
Equity investments in subsidiaries	5	19,524,087	16,969,615
Equity investments in associates and joint ventures	5	181,911,446	7,243,145
Other equity investments	5	21,835,263	8,614,595
Non-current financial assets	6	3,070,479	977,617
Non-current trade receivables	6	2,733,178	2,110,649
Non-current contract assets	6	19,120,747	
Deferred tax assets	7	4,716,353	9,176,577
Other non-current assets	8	1,401,354	1,297,360
Total non-current assets		546,615,675	273,049,422
Inventories	9	2,688,878	2,468,383
Trade receivables	10	116,081,427	112,736,723
Current contract assets	10	16,158,685	
Current tax assets	11	435,323	95,096
Other current assets	12	6,089,321	7,510,911
Cash and cash equivalents	13	17,645,618	33,730,665
Total current assets		159,099,251	156,541,779
TOTAL ASSETS		705,714,926	429,591,201
Share capital	14	153,413,910	94,000,000
Reserves	15	185,618,224	56,230,767
IFRS FTA Reserve	15	7,896,006	7,896,006
Profit (loss) for the year		20,649,537	8,475,423
Total shareholders' equity		367,577,677	166,602,195
Provisions for risks and charges	16	36,222,821	34,617,145
Employee severance pay and other benefits	17	11,900,416	15,433,733
Non-current financial liabilities	18	144,288,428	41,708,214
Non-current financial liabilities for rights of use	18	1,036,463	1,021,897
Non-current trade payables	19	3,400,000	4,233,333
Other non-current liabilities	19	4,027,523	4,772,524
Total non-current liabilities		200,875,651	101,786,846
Current financial liabilities	20	13,187,742	55,264,060
Current financial liabilities for rights of use	18	569,247	271,225
Trade payables	21	104,819,952	88,926,460

Current tax liabilities	22	2,067,447	1,280,175
Other current liabilities	22	16,617,211	15,460,240
Total current liabilities		137,261,599	161,202,160
TOTAL LIABILITIES		338,137,250	262,989,006
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		705,714,927	429,591,201

() It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information reported in the financial statements at 31 December 2021. For more details, reference should be made to the paragraph on the "Reclassifications of comparative data" in the explanatory notes.*

Income Statement

INCOME STATEMENT	NOTES	2022	2021
Revenues	23	377,767,153	342,936,728
Construction revenues - Concession rights	2	84,942,039	39,469,351
Other operating revenues	24	5,546,360	4,960,016
Other income	24	4,719,049	2,979,159
Consumption of raw materials and consumables	25	18,840,316	16,506,142
Costs for services	25	200,508,990	189,232,552
Personnel costs	25	110,451,110	109,353,618
Other operating expenses	25	3,438,671	2,604,697
Construction costs - Concession rights	2	84,942,039	39,469,351
EBITDA		54,793,475	33,178,893
Amortisation, depreciation, provisions and write-downs	26	23,186,945	21,218,023
Net value write-backs (write-downs) of trade and other receivables	26	952,304	223,116
Operating income (EBIT)		30,654,226	12,183,986
Write-downs and (reinstatements) of financial assets	27	-	-
Share of profits (losses) of joint ventures and associates	27	989,510	1,535,138
Financial income	27	2,120,257	514,313
Financial costs	27	5,435,387	2,071,606
Financial operations	-	2,325,620	22,155
Profit before tax		28,328,605	12,161,831
Tax	28	7,679,068	3,686,408
Net profit for the year		20,649,537	8,475,423

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	2022	2021
Profit (loss) for the year	20,649,537	8,475,423
Components that cannot be reclassified to profit or loss		
Actuarial gains (losses) from provisions for employee benefits	2,141,892 -	456,289
Tax effect related to other comprehensive income that cannot be reclassified	- 514,054	109,509
Total comprehensive income (loss) for the year	22,277,375	8,128,643

Cash Flow Statement

CASH FLOW STATEMENT	NOTES	31/12/2022	31/12/2021
OPENING CASH AND CASH EQUIVALENTS	10	33,730,665	62,256,685
Result for the year (A)		20,649,538	8,475,423
Depreciation of property, plant and equipment	23	256,246	727,604
Amortisation of intangible assets	23	21,411,948	18,005,462
Accrual to provision for bad debts	23	952,304	-
Accrual to provision for risks	23	6,208,980	8,543,113
Non-monetary adjustments related to changes in equity investments (including effects of valuation at equity)	24	(989,510)	(1,535,138)
Effect of deferred tax assets/liabilities through profit or loss	25	4,418,167	1,880,036
Provision for current tax	25	3,260,901	1,806,372
(Capital gains) / Capital losses from disposals /(contributions)	22	(236,084)	(123,460)
Financial (Income) / Costs	24	3,315,130	1,557,293
Accrual to the provision for Employee Severance Pay	14	-	-
Other adjustments for non-cash elements		(730,399)	(2,403,363)
Non-monetary adjustments (B)		37,867,683	28,457,919
Cash flow from Current Operations (C)=(A)+(B)		58,517,221	36,933,342
(Increase)/Decrease in Inventories	6	(209,780)	573,467
(Increase) / Decrease in Trade receivables	7	(2,862,974)	(18,891,930)
(Increase) / Decrease in Contract assets		(35,279,432)	-
(Increase) / Decrease in Current tax assets	8	-	-
Increase / (Decrease) in Current tax liabilities		-	-
(Increase) / Decrease in Other current assets	9	1,392,353	(398,943)
Increase / (Decrease) in Trade payables	19	9,776,573	1,492,390
Increase / (Decrease) in Other current liabilities	20	959,816	3,724,119
Other changes		-	-
Change in Net Working Capital (D)		(26,223,444)	(13,500,896)

Increase / (Decrease) in non-current assets		(95,868)	707,226
(Increase) / Decrease in non-current liabilities	16	(745,001)	(1,810,688)
Interest collected / (paid)	24	(3,047,755)	(1,224,720)
Change in deferred tax assets / liabilities	25	-	(0)
Use of Provisions for risks / Provision for Employee severance Pay	13 + 14	(6,116,432)	(4,411,456)
Current tax paid		(2,695,930)	-
Other operating changes (E)		(12,700,986)	(6,739,638)
Other operating changes (G)=(C)+(D)+(E)		19,592,791	16,692,807
(Investments) in property, plant and equipment	1	(991,614)	(1)
<i>Disinvestments from property, plant and equipment</i>		192,488	-
(Investments) in intangible assets	2	(86,047,839)	(39,480,692)
Disinvestments from intangible assets		845,958	334,957
(Investments) in non-current financial assets	3 + 4	(11,059,933)	(11,285,128)
Disinvestments from non-current financial assets		-	782,117
Dividends collected		1,095,280	
Cash and cash equivalents acquired as a result of incorporations		180	187,235
Cash flows from investing activities (H)		(95,965,480)	(49,461,512)
Free cash flows (I)=(G)+(H)		(76,372,689)	(32,768,705)
New loans		136,389,223	
Repayment of loans		(47,112,293)	(14,568,925)
Increase (decrease) in other short-term financial payables			(28,089,288)
Cash flows from financing activities (J)		60,287,642	4,242,684
Net change in cash and cash equivalents (L)=(I)+(J)		(16,085,047)	(28,526,021)
CLOSING NET CASH AND CASH EQUIVALENTS		17,645,618	33,730,664

Statement of Changes in Equity

Description	Share Capital	Extraordinary reserve and other revenue reserves	Other reserves	Profit for the year	Equity
Balance at 1 January 2021	85,376,852	73,435,227	7,896,005	- 8,340,374	158,367,710
Profit (loss) for the period				8,475,423	8,475,423
Other comprehensive income (loss)		- 346,780			- 346,780
Comprehensive income for the year		- 346,780		8,475,423	8,128,643
<i>Changes with shareholders:</i>					
Allocation of the previous year's result		- 8,340,374		8,340,374	-
Merger by incorporation		105,842			105,842
Capital increase without payment	8,623,148	- 8,623,148			-
Balance at 31 December 2021	94,000,000	56,230,767	7,896,005	8,475,423	166,602,195
Balance at 1 January 2022	94,000,000	56,230,767	7,896,005	8,475,423	166,602,195
Profit (loss) for the period				20,649,537	20,649,537
Other comprehensive income (loss)		1,627,838			1,627,838
Comprehensive income for the year		1,627,838		20,649,537	22,277,375
<i>Changes with shareholders:</i>					
Allocation of the previous year's result		8,475,423		- 8,475,423	-
Merger by incorporation		- 1,097,566			- 1,097,566
Reserve for expenses from contribution		- 336,516			
Capital increase without payment	59,413,910	120,718,278			
Balance at 31 December 2022	153,413,910	185,618,224	7,896,005	20,649,537	367,577,676

Notes to the Separate Financial Statements

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

Alia manages environmental services such as the collection, treatment and disposal of municipal waste in Central Tuscany, as a concessionaire for the integrated management of municipal and similar waste, in accordance with Article 26, paragraph 6, of Tuscan regional law 61/2007 for the area concerned by the entire scope of the concession agreement.

As from 2017, it adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for the preparation of the financial statements, given that Alia is qualified as a PIE (Public Interest Entity - as defined by Article 16 of Legislative Decree 39/2010).

At the end of 2017, the transitional period ended, which is regulated by the Service Contract (hereinafter also referred to as “Service Contract”) for the twenty-year concession signed with ATO Toscana Centro (Integrated Municipal Waste Management Authority) on 31 August 2017, and from 1 January 2018, the term started for the concession involving the integrated management of municipal waste on an exclusive basis, which consists of the following activities:

- provision of basic services, mainly waste collection, transport and sweeping, plant management, post-closure operation of landfills, construction of collection sites;
- provision of ancillary services;
- execution of the works provided for in the contract.

As from 1 January 2018 the service is delivered for 30 Municipalities in the province of Florence, 12 in the Province of Pistoia and 7 in the Province of Prato; as from 1 March 2018 the service is also delivered for other 2 municipalities in the Province of Florence and other 8 municipalities in the Province of Pistoia, for a total of 59 municipalities served.

On 1 March 2018, the owned assets which are functional to the service were transferred from former operators who were not part of Alia, such as AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., to the concession area operator Alia. These assets have therefore been "added" to the assets of the Operator at the residual book value applicable at the date of the transfer.

The Company delivered integrated urban hygiene services on behalf of 59 municipalities in the provinces of Florence, Prato and Pistoia during 2019, since the merger had been completed between the Municipal districts of Barberino Val D'Elsa and Tavernelle Val di Pesa.

During 2021, due to the continuation of the Covid-19 pandemic, Alia found itself in the position of having to bring its methods of delivering services in the areas served into line with a number of regulatory measures issued by the Italian, Tuscany Region and Municipal Governments in the field of hygiene and healthcare, with a significant increase in operating costs. Specifically, the higher costs for the collection and disposal of "Covid waste", picked up directly from the homes of quarantined users, amounted to about Euro 4.6 million in 2021.

The 2022 financial year was unfortunately marked by the conflict between Russia and Ukraine, which, in addition to being a humanitarian and social catastrophe, is an event that has had considerable economic repercussions on an international scale, including, in particular, the record rise in the costs of energy, gas, petrol, diesel and other raw materials.

In contrast, there has been a marked improvement in the health situation in our country after the pandemic emergency in 2020 and 2021.

The Directors have also assessed whether the going-concern assumption is applicable to the preparation of the financial statements, concluding that it is adequate since there are no doubts regarding the Company's ability to continue as a going concern.

SEPARATE FINANCIAL STATEMENTS

The separate financial statements of Alia S.p.A. at 31 December 2022 were prepared in accordance with the International Financial Reporting Standards (hereinafter IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements of Alia at 31 December 2022 are presented in Euro units.

The core business operations carried out by the Group are described in the Report on Operations on the Consolidated Financial Statements.

These draft financial statements at 31 December 2022 were approved by the Board of Directors on 29 March 2023, which authorised their publication and are subject to statutory audit by PricewaterhouseCoopers S.p.A. on the basis of the engagement for the nine-year period 2017-2025 assigned by a resolution passed by the Shareholders' Meeting held on 16 February 2017.

FINANCIAL STATEMENT SCHEDULES

The separate financial statements are made up of the following schedules:

- Statement of Financial Position
- Income Statement
- Statement of Comprehensive Income
- Cash Flow Statement
- Statement of Changes in Equity.

Alia prepares and submits the "Consolidated disclosure of non-financial information", in the form of a "separate report", as required by Article 5 "Disclosure reporting and regime" of Legislative Decree 254/2016. This disclosure is published according to the same methods and timing as the Annual Report and is available on the Company's website.

With reference to the Statement of financial position, a form of presentation which provides for the breakdown of assets and liabilities into current and non-current items has been adopted, as required by paragraph 60 and ff. of IAS 1.

The "Income statement" is in report form with each item ordered by type, which is deemed more consistent than presentation by expenditure allocation. The chosen form is in fact in line with international practice.

In order to report additional information on the results of operations, the Company has opted for the preparation of two separate statements, the "Income Statement", which includes the profit or loss for the period, and the "Statement of comprehensive income" (hereinafter also referred to as "OCI"), which includes both the profit or loss for the period and changes in equity relating to income statement items, which, as expressly provided for by international accounting standards, are recognised among equity components. The Statement of Comprehensive Income also provides a breakdown of Other comprehensive income (loss) which distinguishes between profits and losses that will be subsequently reclassified to the income statement and profits and losses that will never be reclassified to the income statement.

The Cash Flow Statement is broken down by areas of cash flow generation. The schedule adopted by the Company has been prepared according to the indirect method. Cash and cash equivalents stated in the schedule include the balance sheet values of these items at the reporting date. Income and expenses relating to interest, dividends received and income tax are included in the cash flows generated from operating activities.

The Statement of Changes in Equity is presented as required by international accounting standards, showing separately the profit or loss for the period and any revenue, income, charge and expense that have not been

taken to the income statement or the statement of comprehensive income, but are charged directly to Equity on the basis of specific IAS/IFRS accounting standards.

MERGER BY INCORPORATION OF PROGRAMMA AMBIENTE SPA

The 2022 financial year saw the merger by incorporation of Programma Ambiente S.p.A., which is wholly owned. The legal effects of the aforesaid transaction, which was completed on 2 May 2022 following the execution of the related deed of merger, applied from 2 May 2022, backdated to 1 January 2022 for accounting and tax purposes.

For the sake of completeness, it should be noted that this merger was classified as a business combination between entities under common control: therefore, since it was a "business combination involving entities under common control", which is included among operations that are explicitly excluded from the scope of application of IFRS 3, the merger was reported in the financial statements of the company resulting from the merger: as a result, the values of the acquiree's assets and liabilities were recognised at the values resulting from the financial statements of the merged company, according to an accounting treatment that is such as to allow the management to provide disclosures that are both material and reliable, pursuant to the provisions of IAS 8, paragraph 10.

Given that the transaction was a reorganisation of the Group, in accordance with Assirevi OPI Document no. 2 (Revised), "Accounting treatment of mergers in the financial statements", it was recognised according to the principle of continuity of accounting values, i.e. in continuity with those of the merged company, charging the difference from cancellation to equity.

Given that the transaction was classified as a reorganisation, the income statement figures of the merged company were included in the financial statements of the merging company with effect from 1 January 2022.

2) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The separate financial statements at 31 December 2022 were prepared according to the historical cost principle, except for the items illustrated below which must or can be measured at fair value according to IFRS.

The accounting standards, policies and estimates adopted in preparing the separate Financial Statements are those required by international accounting standards.

The Directors have also assessed whether the going-concern assumption is applicable to the preparation of the financial statements, concluding that it is adequate since it has been established that the Company has the ability to fulfil its obligations in the short term and to continue to operate as a going concern in the foreseeable future.

Property, plant and equipment

Immovable and movable property are stated in "Property, plant and equipment."

Tangible assets are recorded at their purchase price or production cost, including any directly-attributable additional costs necessary to make the assets available for use.

Property, plant and equipment under construction are valued at cost and depreciated as from the financial period in which they enter into service. The residual value and useful life of an asset must be reviewed at least at the end of each financial period and, if expectations differ from previous estimates, changes must be accounted for as a change in the accounting estimate.

Tangible assets are systematically depreciated on a straight-line basis over their useful life. When the tangible asset consists of several components with different useful lives, depreciation is carried out for each component. The value to be depreciated consists of the carrying amount reduced by the presumed net transfer value at the end of its useful life, if it is significant and can be measured reliably. Land is not subject to depreciation (except for landfills, as detailed below), even if purchased together with a building.

Routine maintenance costs are charged in full to the Income Statement. Value-increasing maintenance costs are allocated to the assets to which they refer and amortised in relation to their residual useful lives.

The presumed realisable value which is deemed to be recovered at the end of the useful life is not depreciated. The useful life of each asset is reviewed annually and any changes are made for the purpose of a correct recognition of the value of the asset, if necessary.

Landfills are depreciated on the basis of the filling percentage determined as the ratio of the volume occupied at the end of the period to the overall authorised volume.

If there is objective evidence that is such as to suggest the existence of a permanent impairment loss, property, plant and equipment are subjected to Impairment Test, according to the criteria set out in the paragraph on the “Impairment”.

Upon disposal, or if no future economic benefits are expected from the use of the asset, it is derecognised from the financial statements and any loss or profit (calculated as the difference between the transfer value and the carrying amount) is recognised in the Income Statement in the period of the aforementioned derecognition.

These are depreciated on a straight-line basis (except for the depreciation of landfills which is recognised based on the ratio of the amounts of waste transferred and the amount of waste that can be transferred).

The residual value and the useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change/s is/are accounted for prospectively as a change in estimate under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Based on auditing whether the residual useful lives of the assets from an accounting point of view are consistent with the actual physical, technical and technological life of each asset, while also taking account of the study carried out by ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) against which the useful lives of different types of assets were presented, the depreciation rates applicable to the following

categories of assets for the 2021 financial year were set out. The useful lives adopted in preparing the 2021 Financial Statements were confirmed in 2022.

The table below reports the depreciation rates of property, plant and equipment, as depreciated on a straight-line basis.

DESCRIPTION	Useful life (years)	DEPRECIATION RATES
Civil and industrial buildings	40	2.50%
Light-weight constructions	7	14.29%
Landfill - operating machines and mechanical shovels	15	6.67%
Landfill- other systems	15	6.67%
Sorting and composting plant - pre-treatment	12	8.33%
Sorting and composting plant - composting and anaerobic digestion	20	5.00%
Sorting and composting plant -biogas and leachate collection and processing	25	4.00%
Sorting and composting plant - other systems	15	6.67%
PV plant	10	10.00%
Miscellaneous and small workshop equipment	7	14.29%
Other miscellaneous and small equipment	7	14.29%
Motor vehicles	8	12.50%
Cars	5	20.00%
Miscellaneous door-to-door collection equipment	5	20.00%
Dumpsters	8	12.50%
Bell-shaped containers	8	12.50%
Bins	5	20.00%
Office furniture and ordinary machines	7	14.29%
Electromechanical office machines	5	20.00%
Fully-depreciable assets		100.00%

Intangible assets

Intangible assets acquired or produced internally are stated in assets, when it is probable that the use of the assets will generate future economic benefits and when the cost of the asset can be determined reliably.

Intangible assets consist of assets without identifiable physical substance, controlled by the entity and capable of producing future economic benefits.

Identifiability is defined with reference to the possibility of distinguishing the intangible asset acquired from goodwill; this requirement is normally met when: (i) the intangible asset is attributable to a legal or contractual right, or (ii) the asset is separable, i.e. it can be sold, transferred, leased or exchanged independently or as an integral part of other fixed assets.

Control over the entity consists of the power to take advantage of the future economic benefits deriving from the asset and of the possibility of limiting its access by others.

Intangible assets with a definite useful life are stated net of accumulated amortisation and any permanent impairment loss determined according to the same methods as those described above for property, plant and equipment. Changes in expected useful lives or in the ways in which the future economic benefits associated with the intangible asset are achieved by the entity are recognised by changing the amortisation period or method and are treated as changes in accounting estimates. The amortisation rates on intangible assets with a definite useful life are recorded through profit or loss in the cost category consistent with the function of the intangible asset.

Development costs are stated as assets only if all of the following conditions are met: costs can be determined reliably and the product's technical feasibility, expected volumes and prices indicate that any cost incurred in the development phase will generate future economic benefits. Capitalised development costs include only expenses incurred that can be attributed directly to the development process. Capitalised development costs are amortised on a systematic basis, as from when work commences on production over the estimated life of the product. Other development costs are recognised through profit or loss when incurred.

If there is objective evidence of permanent impairment losses, intangible assets are subjected to Impairment Test according to the criteria set out in the paragraph on the “Impairment”. Any write-downs may be subject to subsequent value reinstatements if the reasons that led to impairment cease to exist.

Profits or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount and are recognised through profit or loss at the time of the sale.

Goodwill (if any) and other intangible assets, where present, with an indefinite useful life are not amortised; the recoverability of their book value is verified at least annually and in any case whenever an event occurs that suggests that they are impaired, except for goodwill, which is tested for impairment at least on an annual basis.

Concession rights consist of the Concessionaire's right to use the asset (the “intangible asset” method) under concession in consideration of the costs incurred for the design and construction of the asset with the obligation to hand over it at the end of the concession term. Concession rights are recognised at fair value (estimated on the basis of the cost incurred) of intangible assets relating to construction and expansion of assets falling within the scope of IFRIC 12.

If the fair value of the services received cannot be measured reliably, revenue is calculated on the basis of the fair value of the services provided (fair value of the construction services performed).

Restoration or replacement are not capitalised and are included in the estimate of the provision described below.

The amortisation fund and the provision for restoration or replacement costs considered as a whole ensure adequate coverage of the following costs:

- transfer to the successor Operator at book value on the expiry of the concession term of freely transferable assets with a useful life longer than the term of the concession;
- restoration and replacement of components subject to wear and tear of the assets under concession.

If events occur that suggest an impairment of these intangible assets, the difference between the book value and the related "recoverable value" is taken to profit or loss.

Concession rights are amortised, limited to those assets for which a “takeover value” will be recognised at the end of the concession term, on the basis of the useful life of the underlying assets, according to the criteria

shown in the table in the paragraph on "Property, plant and equipment". Assets that will not be included in the determination of the takeover value are amortised on the basis of the shorter of the term of concession and the useful life of each asset.

These assets are amortised on a straight-line basis; the related amortisation rates are reported in the table below.

DESCRIPTION	Useful life - ARERA (years)	AMORTISATION RATES
Intangible assets	7	14.29%

For more details on the depreciation rates of property, plant and equipment included in concession rights, reference should be made to the table reported in the paragraph above.

Impairment losses

At each reporting date, the Company reviews the book value of its tangible and intangible assets to establish whether there is any evidence that these assets have recorded an impairment loss. If this evidence exists, the recoverable amount of these assets is estimated in order to calculate the amount of any possible write-down (impairment test). Where it is not possible to estimate the recoverable amount of each asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In measuring the value in use, estimated future cash flows are discounted at their present value by using a pre-tax rate that reflects current market assessments of the present value of money and the specific risks associated with the asset.

If the recoverable amount of an asset (or of a cash-generating unit - "CGU") is estimated to be lower than its carrying amount, the carrying amount of the asset is reduced down to the lower recoverable amount. An impairment loss is recognised immediately through profit or loss.

When the conditions for a write-down are no longer met, the book value of the asset (or of the cash-generating unit) is increased up to the new value arising from its estimated recoverable value, but not beyond the net carrying amount that the asset would have had had the write-down not been recognised for impairment loss. The reversal of the value is charged immediately to profit or loss.

Leases (for lessee)

The Company recognises a right of use at the inception date of the lease, which corresponds to the date on which the underlying asset is available for use for any and all lease agreements under which it is a lessee, except for short-term leases (i.e. leases with a term of less than or equal to 12 months and which do not contain a call option) and those with low-value assets (i.e. with a unit value of less than Euro 5 thousand).

Lease payments relating to short-term, low-value leases are recognised as costs in the income statement on a straight-line basis over the lease term.

Rights of use are valued at cost, net of accumulated amortisation and impairment losses and as adjusted following any remeasurement of lease liabilities. The value assigned to rights of use corresponds to the amount of the lease liabilities recognised, in addition to any initial direct costs incurred, any lease payments settled on or before the inception date of the lease, and restoration costs, net of lease incentives received (if any). The discounted value of the liability determined in this manner increases the right to use the underlying asset, against an entry in a dedicated provision. Unless the Company is reasonably certain that it will acquire ownership of the leased asset at the end of the lease term, rights of use are amortised on a straight-line basis over the estimated useful life or the lease term, whichever is shorter.

The lease term is calculated by considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease if it is reasonably certain that it will not be exercised. The Company assesses whether or not it is reasonably certain that the extension or termination options will be exercised, while taking account of any and all relevant factors that create an economic incentive relating to such decisions.

The financial liability for leases is recognised at the inception date of the lease for a total value equal to the present value of the lease payments to be made over the lease term, as discounted by using incremental interest rates (Incremental borrowing rate "IBR"), when the interest rate implicit in the lease cannot be determined easily. Variable lease payments are still recognised in the income statement as a cost accrued in the period.

The book value of right-of-use assets is classified in the accounts in the respective class of underlying asset; details are provided in the explanatory notes.

IFRS 16 requires management to make estimates and assumptions that may affect the measurement of the right of use and the financial liability for leases, including the determination of: contracts within the scope of application of the new rules regulating the measurement of assets/liabilities according to the finance method; terms and conditions of the agreement; interest rate used to discount future lease payments.

Leases (for the lessor)

Lease agreements under which the Company is the lessor are classified as operating leases or as finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards attached to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards attached to the ownership of an underlying asset.

As regards finance leases, at the effective date the Company recognises the assets held under a finance lease in the statement of financial position and states them as a receivable at a value equal to the net investment in the lease, which is measured by using the interest rate implicit in the lease.

As regards operating leases, the Company must recognise operating lease payments as an income on a straight-line or any other systematic basis.

Costs, including amortisation, incurred to realise lease income are recognised as an expense.

Goodwill and business combinations

In the case of business acquisitions, acquired and identifiable assets, liabilities and contingent liabilities are recognised at their fair value as at the acquisition date. The positive difference between the fair value of the

consideration, plus any non-controlling interest in the acquiree (in the case of step acquisitions, the fair value at the deemed acquisition date of any interest that the acquirer may have held previously in the acquiree is also added) and the fair value of the assets acquired and liabilities assumed is classified as Goodwill and is recognised as an intangible asset. Any negative difference (“badwill”) is instead recognised through profit or loss at the time of acquisition. Minority interests are recognised in proportion to the identifiable net assets at the time of acquisition.

If control is acquired over an investee in which a minority interest is already held (step acquisition), the previously-held investment is measured at fair value, with the effects of this adjustment recognised through profit or loss.

Costs related to business combinations are recognised through profit or loss.

Contingent consideration, i.e. the acquirer's obligations to transfer additional assets or shares to the seller if certain future events or conditions occur, is recognised at fair value at the acquisition date as part of the consideration transferred in exchange for the acquisition itself. Any subsequent changes in the fair value of these agreements are recognised through profit or loss.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if specific events or changed circumstances indicate that it may be impaired, as required by IAS 36 - Impairment of Assets. After initial recognition, goodwill is valued at cost less any accumulated impairment losses.

Equity investments in subsidiaries, associates and joint ventures

Equity investments in subsidiaries are valued at cost. These are companies in relation to which the parent company "is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its own power over the investee", as defined by IFRS 10. Generally, the existence of control is presumed when directly holding more than half of the voting rights exercisable at the ordinary shareholders' meeting, also considering potential votes, i.e. voting rights attached to convertible instruments.

Equity investments in associates and joint ventures are stated among non-current assets and are valued using the equity method.

Associates are those entities over which the parent company exercises significant influence in making strategic (financial and operational) decisions, even though it does not retain control over them, while also considering potential votes, i.e. voting rights attached to convertible instruments; significant influence is presumed when the company directly holds more than 20% of the voting rights that can be exercised at the ordinary shareholders' meeting.

The Company applies IFRS 11 to all partnership agreements. According to IFRS 11 investments in joint arrangements are classified as joint operations or joint ventures depending on the contract rights and obligations of each investor. The Company has established that the only partnership agreement it has currently in place falls within the scope of joint ventures.

In applying the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the investee's profits or losses realised after the date of acquisition. The Company's share of the investee's profit (loss) for the period is recognised in the income statement. Dividends received from an investee reduce the carrying amount of the equity investment.

Non-current assets held for sale

Non-current assets (and disposal groups of assets) classified as held for sale are measured at the lower of their previous carrying amount and market value, net of selling costs.

Non-current assets (and disposal groups of assets) are classified as held for sale when their carrying amount is expected to be recovered through a disposal transaction rather than through their use in the entity's operations. This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current condition and the Management has made a commitment to sell, which should take place within twelve months of the date of classification under this item.

Inventories

These are recognised when the risks and rewards associated with the assets acquired are transferred and are stated at the lower of purchase cost, including any and all directly attributable additional costs and charges and indirect costs relating to in-house production, and the presumed realisable value inferable from market trends.

These mainly include spare parts and are valued at the lower of weighted average cost and market value at the reporting date. Weighted average cost is determined for the reporting period in relation to each inventory code. Weighted average cost includes any additional costs accrued in the period. The value of obsolete and slow-moving stock is written down in relation to the possibility of use or realisation, setting aside a specific provision for material obsolescence.

Cash and cash equivalents

This item includes cash on hand, current bank accounts and deposits repayable on demand, as well as other short-term high-liquidity financial investments that are readily convertible into cash and are subject to a non-significant risk of change in value.

Financial assets (including equity investments in other companies)

These are classified and measured by considering both the financial asset management model and the contract terms and conditions of cash flows that can be derived from the asset. Depending on the features of the instrument and the business model adopted for its management, the following three categories are reported:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereinafter also referred to as OCI); (iii) financial assets measured at fair value through profit or loss.

Financial assets are measured using the amortised cost method if both the following conditions are met:

- the financial asset management model consists of holding the asset for the sole purpose of collecting the related cash flows; and
- the financial asset generates, at predetermined contractual dates, cash flows that consist exclusively of the return on the asset itself.

According to the amortised cost method, the initial book value is subsequently adjusted to take account of repayments of principal, any write-downs and the amortisation of the difference between the repayment value and the initial book value.

Amortisation is carried out on the basis of the effective internal interest rate which is the rate that makes the present value of expected cash flows and the initial book value equal upon initial recognition.

Receivables and other financial assets measured at amortised cost are stated in the balance sheet, net of the related provision for write-down.

Financial assets consisting of debt instruments whose business model provides for both the possibility of collecting contract cash flows and the possibility of realising capital gains on disposal (“hold to collect and sell” business model), are measured at fair value through OCI (assets measured at FVTOCI).

In this case, changes in the fair value of the instrument are recognised in equity, among other comprehensive income. The cumulative amount of fair value changes, which is charged to the equity reserve which includes other comprehensive income, is reversed through profit or loss when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised through profit or loss.

A financial asset which is not measured at amortised cost or at FVTOCI is measured at fair value through profit or loss (assets measured at FVTPL).

Trade and other receivables

These are initially recognised at fair value and subsequently measured using the amortised cost method, net of the provision for bad debts.

The Company measures any impairment or write-downs of receivables using an Expected Loss method. As regards trade receivables, the Company adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss (“ECL”) calculated over the entire maturity of the receivable (lifetime ECL).

Trade receivables are written down in full when there is no reasonable expectation of recovery, i.e. when there are inactive commercial counterparties.

The book value of the asset is reduced through the use of a provision for write-down and the amount of the loss is recognised in the income statement.

When collection of the consideration is deferred beyond normal business terms applied to customers, the receivable is discounted to present value.

Financial liabilities

Upon initial recognition they are measured at their fair value equal to the amount received at the reporting date, to which must be added any transaction costs directly attributable to payables and loans. After initial recognition, non-derivative financial liabilities are measured at amortised cost according to the effective interest method.

Financial liabilities include trade payables and other payables and loans.

Financial liabilities are classified as payables and loans, or as derivatives designated as hedging instruments, as the case may be. The Company determines the classification of its financial liabilities upon initial recognition.

Profits and losses are accounted for through profit or loss when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by recording each discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is stated among financial costs in the income statement.

A financial liability is derecognised when the underlying obligation is extinguished, or cancelled or fulfilled.

When an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the conditions of an existing liability are substantially amended, this change or amendment is treated as a write-off of the original liability and the recognition of a new liability, taking any difference between book values to profit or loss.

Employee benefits

The liability relating to the benefits allocated to employees and paid on or after the termination of the employment relationship under defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions by estimating the amount of future benefits that employees have accrued at the reporting date ("projected unit credit method"). The liability stated in the accounts, net of plan assets (if any), is recognised on an accrual basis over the vesting period of the right. The liability is measured by independent actuaries.

The components of the cost of defined benefits are recognised as follows:

- service costs are recognised among personnel costs in the Income Statement;
- net financial expenses on the defined benefit liability or asset are recognised in the Income Statement as Financial income/ (expenses), and are determined by multiplying the value of the net liability/ (asset) by the rate used to discount the obligations, taking account of the payments of contributions and benefits made during the period;
- the remeasurement components of the net liability, which include actuarial gains and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the asset, are recognised immediately in Other comprehensive income (loss). These components must not be reclassified to the Income Statement in a subsequent period.

Provisions for risks and charges

These concern costs and charges of a given type, and of certain or probable existence, which were undetermined in terms of amount or timing at the reporting date. The allocations are booked when there is a current obligation (legal or constructive) arising from a past event, if an outlay of resources to satisfy the obligation is probable, and the amount of the obligation can be estimated reliably.

The provisions are stated at the value consisting of the best estimate of the amount which the entity would pay to discharge the obligation or to transfer it to third parties at the reporting date. If the effect of discounting back the value of money is significant, provisions are calculated according to the discounted cash flow method at a pre-tax discount rate which reflects the market's current valuation of the cost of money in relation to time. When the discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial cost.

If the liability relates to property, plant and equipment, the provision is initially recorded against an entry under the fixed assets to which it refers; the related cost is recognised through profit or loss through the depreciation process of the tangible asset to which it refers.

Provision for restoration and replacement

According to IFRIC 12, the concessionaire does not meet the requirements to report infrastructures in its accounts as property, plant and equipment and the accounting treatment of the works executed on the infrastructure is of different importance depending on their type. In particular, there are two categories: works referable to normal infrastructure maintenance, replacement works and scheduled maintenance of the infrastructure at a future date.

The former relate to normal routine maintenance which is recognised through profit or loss when incurred, also in accordance with IFRIC 12. The latter, considering that IFRIC 12 does not provide for the recognition of a physical infrastructure asset but only of a right, must be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; this standard requires the recognition of a provision divided into an operating component (including any effect arising from changes in the discount rate) and a financial component through profit or loss, on the one hand, and, on the other, the recognition of a provision for charges in the balance sheet.

The "Provision for restoration or replacement", in accordance with the obligations laid down in the concession agreement, therefore includes the best estimate of the present value of the costs accrued at the reporting date for maintenance scheduled for subsequent periods, aimed at ensuring the required functionality, operation and safety of the set of assets under concession based on the information available at the reporting date.

After-closure provisions

They consist of the amount set aside to meet the costs that shall be incurred to manage the closure and post-closure period of landfills that are currently under operation. Future outlays have been discounted in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting procedure and the provisions due to changes in the assumptions on future outlays following the review of estimates concerning both landfills in operation and those already exhausted. The uses consist of the actual outlays that were determined during the year. Provisions are also set aside by taking account of the rules laid down in the regulations in force (Legislative Decree 36/2003).

Grants

Grants from public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for obtaining them will be satisfied.

Grants received for specific assets whose value is recorded under fixed assets are recognised in a specific liability item and credited to profit or loss in relation to the amortisation or depreciation period of the assets to which they refer.

Operating grants (paid for the purpose of providing immediate financial support to the entity or as compensation for expenses and losses incurred in a previous period) are fully recognised through profit or loss when the conditions for entering them are satisfied.

Revenues

The Company proceeds with the recognition of revenues after having identified contracts with its customers and the related obligation to be satisfied (transfer of goods and/or services), calculated the consideration to which the entity believes it is entitled in exchange for the satisfaction of each of these obligations and considering the manner in which this obligation is satisfied (performance at point in time or over time).

In particular, the Company proceeds with revenue recognition only if the following requirements are met (identification requirements of the “contract” with the customer):

- a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties which creates rights and obligations that are due and payable regardless of the form in which this agreement is expressed;
- b) the Company may identify the rights of each party with respect to the goods or services to be transferred;
- c) the Company may identify the terms of payment for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that the Company will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If the requirements referred to above are not met, the related revenues are recognised when: (i) the Company has already transferred control over the goods and/or provided services to the customer and all or almost all of

the consideration promised by the customer has been received and is not refundable; or (ii) the contract has been terminated and the consideration the Company has received from the customer is not refundable.

If the requirements reported above are instead met, the Company applies the rules of recognition described below.

Revenues from integrated waste management

These are revenues deriving from the activities carried out according to the Service Contract ("SC") signed by Alia on 31 August 2017. The object of the SC is to carry out waste collection, transport and sweeping, plant management, post-closure operation of landfills, construction of collection sites and related ancillary activities in the local areas under the competence of ATO Toscana Centro [Integrated Municipal Waste Management Authority] ("ATO").

Revenues from provision of the services described above are recognised when they are rendered with reference to the stage of completion, considering that the Company delivers services to users over a given period of time.

Other revenues

Revenues from other services rendered by the Company are recognised when they are rendered with reference to the stage of completion.

Revenues from sale of assets are recognised when control of the asset subject to the transaction is transferred to the purchaser, i.e. when the customer acquires full capacity to decide on the use of the asset, as well as to derive substantially any and all benefits therefrom.

Revenues from construction services in favour of the Granting Authority

These revenues are related to the exploitation of construction services the Company provides to the Granting Authority to make investments in relation to Concession Rights and are recognised at their fair value. The fair value of the consideration for the services the Company provides for the construction and expansion of assets under concession is determined on the basis of the fair value of the consideration for the same services provided by third parties, as well as of company and third-party design costs, and company costs incurred for work planning and coordination performed by a specific company function. These revenues are recognised when services are

rendered with reference to the stage of completion, considering that the Granting Authority simultaneously receives and uses the benefits deriving from the entity's services as and when they are rendered.

In this regard, it should be noted that the Company recognises the unconditional right to receive the consideration for the work performed (invoices issued and to be issued) as trade receivables, and the amount owed by customers for services rendered, net of any advances and pre-payments received, as "contract assets."

Costs

Costs are charged to profit or loss when their existence has become certain, the amount can be determined objectively and when it is possible to establish that the entity sustained these costs on an accruals basis, while taking account of the substance of the transaction.

Financial income and charges

Financial income is recognised on an accruals basis and includes interest income on invested funds, foreign exchange gains and income from financial instruments, when they are not offset in hedging transactions. Interest income is charged to profit or loss when it accrues, taking into account the effective yield.

Financial costs are recognised on an accruals basis and include interest expense on borrowings calculated by using the effective interest method and foreign exchange losses. They also include the financial component of the annual accrual to the provision for restoration.

Financial costs incurred for investments in assets for which a certain period of time normally passes to make the asset ready for use are capitalised and amortised over the useful life of the class of assets to which they refer.

Income tax

Current tax

Current income tax for the period is determined based on an estimate of taxable income and in compliance with domestic legislation in force or substantially approved at the reporting date, taking account of any applicable exemption and of any tax credit due.

Deferred tax assets and liabilities

These are calculated on the temporary differences between the value attributed to assets and liabilities in the accounts and the corresponding values recognised for tax purposes.

The rates applied are those estimated that will be in force when the temporary differences reverse. Deferred tax assets are recorded only to the extent that it is probable that taxable income will be available against which these assets may be used. The book value of receivables for deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit may be realised. The business planning period is taken into account in the assessment of deferred tax assets.

When the results are recorded in the OCI section, current tax, deferred tax assets and liabilities are also directly charged to this section. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Taxes can be offset when they are applied by the tax authority itself, when there is a legal entitlement to offsetting and the net balance is expected to be paid.

Use of estimates

The preparation of the financial statements and of the explanatory notes has required the use of estimates and assumptions both in the determination of certain assets and liabilities and in the measurement of contingent assets and liabilities. The final results that derive from the occurrence of events could differ even significantly from these estimates.

The estimates have been used in the assessment of tariff adjustments, provisions for risks and charges, provisions for bad debts, useful life of assets, employee benefits and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are immediately taken to profit or loss.

The main assumptions used by management in the evaluation process of the aforementioned accounting estimates are illustrated below. The criticality inherent in these estimates is in fact determined by using assumptions and/or professional judgements relating to issues that are by their nature uncertain. Changes to the conditions underlying the assumptions and judgements adopted could have a significant impact on subsequent results.

Revenue Recognition

Revenues from sales and services are recognised on an accrual basis. The fee invoiced to each municipality is that determined under the scope of the concession area, which the Authority distributes annually between each of the Municipalities. For more details, reference should be made to paragraph 2 below.

Recoverable value of non-current assets

Non-current assets include property, plant and equipment, concession rights, other intangible assets, equity investments and other financial assets. The Company reviews the carrying amount of non-current assets held and used and of disposal assets periodically, when events and circumstances require such review. When the book value of a non-current asset has recorded an impairment loss, the Company recognises a write-down equal to the excess amount of the book value of the asset and its recoverable value through use or sale, determined with reference to the cash flows envisaged in the most recent business plans.

Provisions for risk and charges

The identification of whether there is a current obligation (legal or constructive) is not easy to determine in some circumstances. The directors evaluate these events on a case-by-case basis, together with the estimated amount of financial resources required to fulfil the obligation. Provisions are estimated within a complex process that involves subjective judgements by the Company management. The Company is also involved in legal and tax disputes concerning complex and difficult legal issues, which are subject to a varying degree of uncertainty, including the facts and circumstances surrounding each case, jurisdiction and different applicable laws. Given the uncertainties attached to these issues, it is difficult to predict with certainty the outlay of funds that will arise from said disputes and it is therefore possible that the value of the provisions for legal proceedings and litigation may change as a result of future developments in the proceedings in progress. The Company monitors the status of ongoing disputes and consults with its legal counsels and experts in legal and tax matters. When the directors believe that the occurrence of a liability is only possible, the risks are reported in the specific information section on commitments and risks, without giving rise to any provision.

Liabilities for landfills and After-closure provisions

The provision for liabilities for landfills consists of the amount set aside to meet the costs that must be incurred to manage the closure and post-closure period of landfills currently in use. Future outlays, which are inferred for each landfill from a specific valuation report which is prepared by third-party experts and is updated annually, have been discounted in accordance with the provisions of IAS 37.

Provision for bad debts

This reflects management's estimate of expected losses relating to the loan portfolio. The Company applies the simplified approach envisaged under IFRS 9 and records expected losses on all trade receivables based on the residual maturity, determining the provision based on the past experience of credit losses as adjusted to take account of specific forecast factors relating to creditors and the economic environment (Expected Credit Loss - ECL concept).

Amortisation and depreciation

Amortisation and depreciation of fixed assets constitute a significant cost to the Company. Fixed assets are amortised or depreciated systematically over their estimated useful life. The useful economic life of the company's fixed assets is determined by the directors, with the help of technical experts, once the asset has been purchased. The Company evaluates technology and sector changes, decommissioning/closure costs and the recoverable value to update the residual useful life on a periodical basis. This periodical updating could entail a change in the amortisation and depreciation period and therefore also in the amortisation and depreciation allowances for future periods.

Employee benefits

Provisions for employee benefits and net financial costs are valued according to an actuarial method that requires the use of estimates and assumptions to calculate the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and salary growth rates and considers the probability of occurrence of potential future events by using demographic parameters such as, for example, employee mortality and resignation or retirement rates. The assumptions used for the valuation are detailed in the explanatory notes.

Current tax and future recovery of deferred tax assets

Deferred tax assets are recognised on the basis of forecasts of tax income expected in future periods, which can be inferred from long-term company plans. The valuation of expected income for the purposes of accounting for deferred tax depends on factors that may vary over time and determine effects on the measurement of deferred tax assets.

Reclassifications of comparative data

It should be noted that the reporting scheme of some data relating to the previous year has been modified in order to offer the reader greater comparability of the information provided in the financial statements at 31 December 2022. In particular, the following reclassifications were made:

- an amount of Euro 1,326 thousand from “Concession rights” to “Rights of use”;
- an amount of Euro 1,022 thousand from “Non-current financial liabilities” to “Non-current financial liabilities for rights of use”;
- an amount of Euro 569 thousand from “Current financial liabilities” to “Current financial liabilities for rights of use.”

Newly-applied standards

New accounting standards and interpretations, amendments to accounting standards and interpretations applicable from 1 January 2022.

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as from 1 January 2022.

On 14 May 2020 the IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: are aimed at updating the reference to the Conceptual Framework in the revised version under IFRS 3, without this entailing amendments to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: are intended to not allow the deduction of the amount received from the sale of goods produced in the testing phase of the business itself from the cost of tangible assets. Revenues from sales and related costs will therefore be recognised through profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that any and all costs that are directly attributable to the contract must be considered in establishing whether a contract is onerous. Consequently, any assessment would include incremental costs (e.g. costs of direct materials used in the work), as well as all costs an entity cannot avoid because it has entered into the contract (e.g. depreciation of the machinery used in fulfilling the contract).
- Annual Improvements - 2018-2020 cycle: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

Since the application of the new amendments, there has been no significant impact on the values or disclosures in the financial statements.

IFRS accounting standards, amendments and interpretations endorsed by the European Union, which are not yet mandatorily applicable and not early adopted by the Group at 31 December 2022

- On 18 May 2017 the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The standard shall apply from 1 January 2023, with early adoption permitted only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.
- On 9 December 2021, the IASB published “Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information.” The amendment is a transition option relating to comparative information on financial assets provided upon first-time adoption of IFRS 17, and is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus improving the usefulness of comparative information for users of financial statements. The amendments shall apply from 1 January 2023, at the same time as the adoption of IFRS 17. The directors do not expect any material effect on the Group's consolidated financial statements from adopting this amendment.
- On 12 February 2021 the IASB published two amendments, i.e. “Disclosure of Accounting Policies - Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement 2” and “Definition of Accounting Estimates - Amendments to IAS 8.” The amendments are aimed at improving disclosures on accounting policies so as more useful information is provided to investors and other primary users of financial statements, as well as helping entities distinguish changes in accounting estimates from changes in accounting policies. The amendments shall apply from 1 January 2023, with early adoption permitted. The directors do not expect any material effect on the Group's consolidated financial statements from adopting these amendments.

- On 7 May 2021 the IASB published “Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.” The document clarifies how deferred tax liabilities should be accounted for on certain transactions that can generate assets and liabilities for an equal amount, such as leases and decommissioning obligations. The amendments shall apply from 1 January 2023, with early adoption permitted. The directors do not expect any material effect on the Company’s financial statements from adopting this amendment.

Accounting standards, amendments and interpretations which are not yet applicable

As at the reporting date of these notes, the competent bodies of the European Union had not yet concluded the endorsement process required to adopt the amendments and standards described below.

- On 23 January 2020 the IASB published “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”, while on 31 October 2022 it published “Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants.” The documents are aimed at clarifying how payables and other short- or long-term liabilities should be classified. The amendments shall apply from 1 January 2024, with early adoption permitted.
- On 22 September 2022 the IASB published “Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.” The seller-lessee is required to measure the lease liability arising from a sale and leaseback transaction in order not to recognise any income or loss relating to the right of use that is retained. The amendments shall apply from 1 January 2024, with early adoption permitted.
- Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”: the endorsement process is suspended pending the conclusion of the IASB project on the equity method.
- IFRS 14 Regulatory Deferral Accounts: the endorsement process is suspended pending the issue of the new accounting standard on rate-regulated activities.

The Company will adopt these new standards, amendments and interpretations, based on their expected date of application, and will assess their potential impact when they are endorsed by the European Union.

3) EXPLANATORY NOTES TO THE ASSET ITEMS

1) Property, plant and equipment

The balances of these items can be inferred from the table below:

DESCRIPTION	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
VALUES AT 31.12.2021						
Gross Value	7,558,696	13,987,616	495	1,114,164	0	22,660,971
Accumulated depreciation	-1,259,282	-5,056,323	-433	-1,112,242	0	-7,428,280
NET BALANCE AT 31.12.2021	6,299,414	8,931,292	62	1,922	0	15,232,690
NET CHANGES FOR FY 2022						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2021 TO FIXED ASSETS - CONCESSION RIGHTS	787,558					787,558
RECLASSIFICATION OF ACCUMULATED DEPRECIATION AT 01.01.2021 TO FIXED ASSETS - CONCESSION RIGHTS	-344,601					-344,601
ACQUISITIONS FROM MERGERS - GROSS VALUE	179,712		13,074			192,786
ACQUISITIONS FROM MERGERS - ACCUMULATED DEPRECIATION	-24,159	0	-3,709			-27,868
CHANGES FROM PURCHASES	0	0	0	0	991,613	991,613
TRANSFERS FOR RECLASSIFICATIONS	0	0	0	0		0
DECREASES	-55,762	-574,500	-5,200	-67,039		-702,501
DISPOSAL OF ACCUMULATED DEPRECIATION	0	439,889	3,085	67,039		510,013
2022 DEPRECIATION	-82,259	-172,093	-1,510	-384		-256,246
Gross Value	8,470,204	13,413,116	8,369	1,047,126	991,613	23,930,428
Accumulated depreciation	-1,710,301	-4,788,527	-2,567	-1,045,587	0	-7,546,983
NET BALANCE AT 31.12.2022	6,759,903	8,624,588	5,802	1,539	991,613	16,383,445

The increase recorded during the year related to the fixed assets acquired following the merger by incorporation of Programma Ambiente S.p.A. and the costs incurred for the design of WTC (Waste To Chemical) plants (“WTC”). During the year substantial investments were made in the construction of the new anaerobic digestion section at the Casa Sartori Hub, as well as the technological upgrade of the Mechanical Biological Treatment Plant (hereinafter also referred to as “MBT”) in Case Passerini for an amount of about Euro 32,240,000.

In addition, work continued on the construction of the capping of the Casa Sartori landfill for an amount of about Euro 1,449,000.

Renovation works continued in 2022 in relation to the investment in the Case Passerini plant for an amount of about Euro 3,065,900, the new premises in Sibille/Calastrini for an amount of Euro 998,220 and at the collection site in Barberino, località Pian della Fonda, which will be completed in 2023 with an amount of Euro 580,390, as well as the acquisition of a property for the construction of new offices at Via Nigetti in Florence for Euro 561,300 and the construction of the new treatment line at the Paronese plant (Prato) for Euro 759,000.

These increases are included in fixed assets under construction as regards concession rights.

As regards the reclassifications to concession rights, reference should be made to the information provided in the note below.

There are no mortgages or liens on the above fixed assets in favour of financial institutions, except for the composting plant located in Faltona, in the Municipal district of Borgo San Lorenzo, on which a first mortgage of Euro 17.7 million has been registered in favour of Mps Capital Services S.p.A., as security for the loan granted by the Bank for Euro 8,850,000 required for the financing of the entire investment.

The main capitalisations concerning the item of “buildings” carried out in 2022 involved investments in the refurbishment of vehicle workshops and vehicle washing facilities located at via Baccio da Montelupo in Florence for a value of Euro 569,155.

The increase in the item of “land” was the result of the acquisition of a plot of land adjacent to the Revet plant in Pontedera for Euro 2,787,730.

Additional investments in plant and machinery mainly concerned the construction of new waste shredding lines at the Ferrale plant for a value of Euro 549,000 and the construction of a natural gas distribution system at the San Donnino plant for a total value of Euro 534,298.

The plant hub in Case Sartori was involved in an investment of Euro 303,450 for the replacement of the biofilter bed.

Purchases for industrial and commercial equipment amounted to approximately Euro 506,967 relating to workshop instrumentation, technical tools and miscellaneous equipment. Additional purchases, reclassified under “Other tangible assets”, concerned furniture and other office shelving, in addition to technical furnishings for the workshop and locker rooms for a total value of Euro 236,893; on the other hand, investments were made in the centralised HPE hardware system for Euro 1,450,463 and for Firewall systems for Euro 455,542, in addition to the time and attendance and pedestrian access control systems for Euro 68,121; the remaining amount related to other investments included in the category of electrical and electronic machines for Euro 141,014.

2) Concession rights

These consist of the rights relating to the integrated municipal waste management in the municipal districts of ATO Toscana Centro, which was started from 1 January 2018. For more details on the changes in this item, reference should be made to the information provided in the paragraph on “Other intangible assets” below.

On 31 August 2017, Alia Servizi Ambientali S.p.A. (which is also referred to as the Concessionaire and/or Operator) and ATO Toscana Centro (Integrated Municipal Waste Management Authority) signed a “Service contract for integrated municipal waste management under Article 26, paragraph 6, of Regional Law 61/2017 and Article 203 of Legislative Decree 152/2006” (hereinafter also referred to as the “Contract” or “Service

Contract). The contract was entered into following a public tender procedure for the concession of the integrated municipal waste management service in the Municipal districts under the responsibility of ATO Toscana Centro.

At the end of 2017, the transitional period ended and from 1 January 2018, the term started for the concession involving the integrated management of municipal waste on an exclusive basis, which consists of the following activities:

- provision of basic services;
- provision of ancillary services;
- execution of the works provided for in the contract.

As from 1 January 2018 the service is delivered for 30 Municipalities in the province of Florence, 12 in the Province of Pistoia and 7 in the Province of Prato; as from 1 March 2018 the service is also delivered for other 2 municipalities in the Province of Florence and other 8 municipalities in the Province of Pistoia, for a total of 59 municipalities served. As a result of the merger of the Municipalities of Tavarnelle Val di Pesa and Barberino Val d'Elsa, the number of Municipal districts under management is equal to 58.

During 2022 revenues from concession fees were measured in accordance with ARERA Resolution no. 363/2021/R/RIF “*Approval of the waste tariff method (mtr-2) for the second regulatory period 2022-2025*” of 3 August 2021, and approved by ATO Toscana Centro by Resolution no. 7 of 23 May 2022. In this resolution, ATO Toscana Centro resolved, in fact, “to adopt the EFPs prepared for 2022-2025, for each municipal district under Alia’s management according to the provisions of Annex A attached to Resolution no. 363.

Specifically, the approval of the 2022-2025 EFP on the part of the General Meeting of ATO by Resolution no. 07/2022 of 23 May 2022, laid down for the first time a provision on forecast interventions/investments for a four-year time horizon (as opposed to the previous annual term).

Alia’s Management has established, with the support of third-party legal counsels and the relevant trade association, that the aforementioned updates that concerned the regulatory provisions and the method to determine tariffs, allow for the recognition of revenues equal to the amortisation and depreciation incurred but

not yet recognised in the tariff due to the "time lag t-2"; in fact, it should be recalled that the determination of the fee for the financial year "n" is based on the final costs (relevant for regulatory purposes) reported in the year "n-2", thus resulting in a time lag of two years between the recognition of the charges and the related recognition in the WTM tariff.

The analyses carried out showed that Alia has a contractual right to this fee component (AMM tariff component) since it has a greater legitimate interest in having the amount recognised regardless of future performance, overcoming the uncertainty that in past years had not allowed the recognition of the fee pertaining to the aforementioned tariff component, and allowing it to support the accounting recognition of the fee commensurate with the amortisation and depreciation calculated on investments that have been authorised, have been made and have entered into operation.

The change that occurred was accounted for as a change in estimate: it was therefore recognised in the result of operations for the year on a prospective basis. For more details, reference should be made to the information provided in note 23 on "Revenues."

According to the provisions of Article 5 of the Service Contract (as supplemented on 6 October 2021 following the approval on the part of the Board of Directors of Alia Servizi Ambientali S.p.A. by resolution no. 11 of 13 July 2021 and on the part of ATO Toscana Centro's General Meeting by resolution no. 7 of 14 June 2021), the purpose of the Concession is the award of the integrated municipal waste management service on an exclusive basis pursuant to Article 183, paragraph 1, letters n), ll), and oo), of Legislative Decree No. 152/2006 (as amended and supplemented). Specifically, the Operator shall perform the following activities:

- a) provision of basic services set out in Annex I;
- b) provision of on-demand ancillary services included in the scope of regulation defined by the National Authority and set out in Annex I;
- c) provision of on-demand ancillary services excluded from the scope of regulation defined by the National Authority and set out in Annex I;
- d) performance of works set out in Annex III.

The table below shows the breakdown of basic services.

BASIC SERVICES	
1	Collection, transport, sweeping, support to domestic composting
2	User relationships and communication management
3	Analysis, communication and reporting
4	Sale of waste and/or raw materials and/or supply raw materials and/or by-products deriving from collection, treatment, recovery and/or disposal operations
5	Operation of the existing plants included in the perimeter of the tender for the treatment, recovery and/or disposal of waste that will be transferred to the service Contractor
6	Waste transport between the plants
7	Operation of existing and new collection sites
8	Operation of new installations (if any)
9	Post-closure operation of sites/landfills

The table below shows the breakdown of ancillary services.

ANCILLARY SERVICES	
1	Washing roads and public areas or for general public use
2	Weeding as part of waste collection
2BIS	Weeding as part of waste collection without collection of cut material
3	Waste collection and cleaning after public and similar events
4	Cleaning banks of rivers, streams and lakes
5	Cleaning residues from accidents and similar emergency services
6	Collecting syringes abandoned on public land or private land intended for public use
7	Cleaning bird droppings and canine excrement
8	Collecting animal carrion
9	Removing vehicle wrecks abandoned on public land
10	Cleaning and washing particularly valuable public surfaces
11	Washing and disinfection of drinking fountains and tanks
12	Cleaning public toilets
13	Collecting asbestos from small household tasks
14	Collecting special waste lying in public areas
15	Pest control and rat extermination
16	Collecting used vegetable oils from catering activities and/or with containers in local areas, if these operations comply with current and newly-issued legislation
17	Collecting cemetery waste from exhumation and removal of remains from crypts
18	Assessment, collection and litigation service for users

As a result of the application of the WTM and the definition of the scope of regulation set out by ARERA by resolution no. 443/19, ancillary services are integrated once again into Concession fees calculated according to the WTM. This scope still excludes Ancillary services nos. 10, 11, 12 and 15, for which a remuneration is envisaged, which is based on the unit price set out in the tender offer, in line with 2018, 2019 and 2020.

The object of the Concession also includes the execution of works included in the tender and reported in Annex III attached to the Service Contract. The related planning is regulated by Section 10 of the Contract. The executive design of the works will be approved by ATO in advance and it will be possible to carry out a rebalancing as a result of any substantiated cost deviation.

Composition of the concession right

At the inception of the Concession granted to the Operator Alia, the ownership was transferred for all plants, real estate and other capital assets that had been used by the former operators until that date, as well as for those owned by the local Bodies, granted to it under a loan for use agreement. As reported in the Introduction (in the paragraph on "General information and significant events during the year"), the transfer of assets functional to the service, such as properties, capital and staff took place from 1 March 2018, at the residual book value resulting on the date of transfer, for former operators AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A., not incorporated into Alia.

In this regard it should be noted that, given the depreciation criteria adopted, this reclassification did not entail any impact on the income statement for the year.

The table below summarises the book value of the assets falling within the scope of the concession ("regulated assets"):

DESCRIPTION	NET BALANCE AT 31.12.2021	GROSS VALUE	ACCUMULATED DEPRECIATION	ASSETS UNDER CONSTRUCTION	NET BALANCE AT 31.12.2022
LAND AND BUILDINGS	108,122,464	158,913,540	-51,122,303	4,188,692	111,979,929
PLANT AND MACHINERY	18,433,616	117,749,166	-103,002,481	41,686,939	56,433,624
INDUSTRIAL AND COMMERCIAL EQUIPMENT	1,543,482	7,305,125	-5,624,234		1,680,891
OTHER TANGIBLE ASSETS	70,840,470	173,282,408	-95,670,670	4,311,093	81,922,830
DEVELOPMENT COSTS	593,528	2,930,928	-1,207,356		1,723,572

CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	10,486,701	30,488,400	-10,241,054	169,050	20,416,396
OTHER INTANGIBLE ASSETS	24,917	9,369,396	-9,354,358		15,038
TOTAL	210,045,178	500,038,962	-276,222,457	50,355,774	274,172,280

Obligations to acquire or build property units

As noted above, the company is required to build 33 collection sites under the concession agreement. None were built during 2022.

Obligations to deliver or rights to receive certain assets at the end of the concession term

At the end of the Concession term, capital assets and their appurtenances, required for the service management, are transferred to the successor Operator free of charge and free of burdens and encumbrances. If, at the time of termination of operations, these assets have not been depreciated in full, the successor Operator will pay Alia S.p.A. an amount equal to the original book value of the work or plant not yet depreciated, net of public grants (if any) directly related thereto (pursuant to Section 13 of the Contract and ARERA Resolution no. 363/2021).

The Operator is obliged to keep the transferred plants in operation and held under management in full working order, implementing the routine maintenance Plan and performing non-routine maintenance, when necessary, having agreed on them with ATO in advance. The Operator is also obliged to maintain the transferred plants in operation but not managed, as well as the transferred plants that are not in operation, in safe conditions, implementing the Plans to maintain them in safe conditions. The decommissioning of the plants must be agreed with ATO. Where still existing upon expiry, or in any case at the time of early termination of the Contract, the Operator undertakes to hand over the works, installations and other equipment in a state of efficiency and good maintenance.

In case of decommissioning agreed between ATO and the Operator involving plants and/or other works functional to the integrated municipal waste management service, for which the law, public planning, or authorisation to operate or execute the work itself, require investigation plans to verify the state of non-contamination of the site upon decommissioning, the Operator shall be required to carry out this activity.

Decommissioning will be considered for the purposes of rebalancing the management.

Options for renewal and early termination of the agreement

Upon the natural expiry or in the event of early termination of the contract, the Operator is required to ensure the complete and regular continuation of the service and, in particular, compliance with public service obligations and minimum standards of local public service, at the same terms and conditions regulated by this Contract, until the new Operator takes over the operation of the service. No indemnity or compensation in addition to what is already provided for in the Contract for the performance of the service may be claimed by the Operator for the continuation of the service. ATO undertakes to start the awarding procedures at least one year before the expiry date of the contract or, in the event of termination, as soon as the term in which it becomes operational has expired.

Other rights and obligations

The services provided for in the Contract, the operation of which is entrusted to the Concessionaire, are based on a prominent public interest. To satisfy this or due to regulatory or legislative developments, ATO may request, on its own initiative or at the request of the Municipalities, changes in both basic services and ancillary services on request from the Operator.

The procedure (Section 7 of the contract) provides for ATO's application to be submitted to the Operator, as well as the preparation of a specific project describing the changes in the services and the proposals for changes in the economic and financial plan.

The changes are permitted up to one-fifth of the overall contract amount as prescribed by law.

ATO also reserves (Section 8) the right to appoint the Operator to deliver additional complementary services in the event of supervening circumstances, reasons of public interest and/or orders issued by the competent national, regional and provincial authorities. The awarding of these services is subject to the following conditions:

- the additional complementary services cannot be separated from the original contract from a technical and economic point of view without causing serious inconveniences to the granting ATO authority or, even though they can be separated from the performance of the initial contract, they are strictly necessary for its completion;
- the total value associated with the additional complementary services must not exceed 20% of the amount of the initial contract.

A procedure similar to that of the changes must be followed for their activation.

At the request of ATO, the Operator may be required to perform additional functional works which have become necessary following the public interest requirements which have arisen and/or legislative and/or regulatory provisions, provided that they are envisaged in the planning agreements in force at the time.

The cost of additional functional works will be considered for the purpose of rebalancing the management under the Contract. The Operator may in turn propose to ATO plants and/or works not provided for in the concession area Plan, but complementary to the planning, which allow a reduction in the tariff rate of the Operator. ATO reserves the right to accept them and, in case of acceptance, the same procedure is applied for the complementary works requested by ATO.

According to the provisions of the concession agreement, reported above, these rights were accounted for by applying the intangible asset model, required by IFRIC 12, since it was considered that the underlying concession relationships did not guarantee the existence of the concessionaire's unconditional right to receive cash, or other financial assets. Improvement works and services performed on behalf of the granting authority are accounted for as "Construction costs - concession rights." Since all the works have been contracted out to third parties, these improvements have been recognised on the basis of the costs actually incurred, after having considered that this amount consists of the fair value of the services provided.

Construction revenues - concession rights

These consist of the fees receivable for the work performed in favour of the granting authority and are measured at fair value, as determined on the basis of total costs incurred. These are stated against an entry under concession rights among intangible assets.

At 31 December 2022 these revenues amounted to Euro 84,942,039 and related to the following types of assets:

These are capitalised costs for investments made on these types of assets.

With regard to "Concessions, trademarks and similar rights", the Company concluded substantial investments in 2022, which had been started in 2021, relating to SAP systems for billing (SAP BILLING) for a total amount of Euro 7,354,914 and integrated waste management (SAP WASTE) for a total amount of Euro 5,224,965. Also important was the investment for the adoption of the Salesforce CRM system for a total amount of Euro 3,435,758.

Development costs, equal to Euro 1,236,740, entirely relate to the increase in the capitalisation that was already started in 2019 in relation to the "Suhm - smart containers-bins" project".

Construction costs - concession rights

CHANGES FROM PURCHASES 2022 - CONCESSION RIGHTS			
CATEGORY	FROM 2022 CAPITALISATIONS	FROM ASSETS UNDER CONSTRUCTION	TOTAL
LAND AND BUILDINGS	4,257,679	3,052,394	7,310,073
PLANT AND MACHINERY	2,208,407	37,573,476	39,781,883
INDUSTRIAL AND COMMERCIAL EQUIPMENT	506,967		506,967
OTHER TANGIBLE ASSETS	19,722,733	4,007,779	23,730,512
<i>of which Collection equipment</i>	11,531,869		11,531,869
<i>of which Motor vehicles</i>	7,239,357		7,239,357
<i>of which office machines</i>	714,614		714,614
<i>of which other assets</i>	236,893		236,893
DEVELOPMENT COSTS	1,236,740		1,236,740
CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	12,206,814	169,050	12,375,864
TOTAL	40,139,340	44,802,699	84,942,039

At 31 December 2022 these amounted to Euro 84,942,039 and are stated in accordance with IFRIC 12.

3) Rights of use

DESCRIPTION	LAND AND BUILDINGS	OTHER ASSETS	PROPERTY, PLANT AND EQUIPMENT
VALUES AT 31.12.2021			
Gross value	1,610,526	0	1,610,526
Accumulated depreciation	-283,708	0	-283,708
NET BALANCE AT 31.12.2021	1,326,818	0	1,326,818
NET CHANGES FOR FY 2022			

CHANGES FROM PURCHASES		667,111	667,111
TRANSFERS FOR RECLASSIFICATIONS		0	0
DECREASES		0	0
DISPOSAL OF ACCUMULATED DEPRECIATION		0	0
2022 DEPRECIATION	-286,620	-46,672	-333,292
Gross value	1,610,526	667,111	2,277,637
Accumulated depreciation	-570,328	-46,672	-617,000
NET BALANCE AT 31.12.2022	1,040,198	620,439	1,660,637

4) Other intangible assets

The Company holds no goodwill or intangible assets with an indefinite useful life.

DESCRIPTION	DEVELOPMENT COSTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	OTHERS	ASSETS UNDER DEVELOPMENT	TOTAL OTHER INTANGIBLE ASSETS	CONCESSION RIGHTS	ASSETS UNDER DEVELOPMENT	TOTAL CONCESSION RIGHTS
VALUES AT 31.12.2021								
Gross value	27,594	64,129	0		91,723	463,895,211	18,957,116	482,852,327
Accumulated amortisation	-9,526	-27,020	0		-36,547	-272,807,149		-272,807,149
NET BALANCE AT 31.12.2021	18,067	37,109	0		55,176	191,088,062	18,957,116	210,045,178
CHANGES FOR FY 2022								
RECLASSIFICATION OF GROSS VALUE AT 01.01.2022 TO FIXED ASSETS - CONCESSION RIGHTS	0	38,400	0		38,400	-825,958		-825,958
RECLASSIFICATION OF ACCUMULATED AMORTISATION AT 01.01.2022 TO FIXED ASSETS - CONCESSION RIGHTS	0	-9,600	0		-9,600	354,201		354,201
ACQUISITIONS FROM MERGERS - GROSS VALUE	0	15,308			15,308	4,660,259		4,660,259
ACQUISITIONS FROM MERGERS - ACCUMULATED AMORTISATION	0	-15,308			-15,308	-3,334,446		-3,334,446
CHANGES FROM PURCHASES		21,965	0		21,965	40,139,340	44,802,700	84,942,040
TRANSFERS FOR RECLASSIFICATIONS			0		0	13,373,918	-13,373,918	0
DECREASES		0	0		0	-21,203,807	-30,123	-21,233,930
DISPOSAL OF ACCUMULATED AMORTISATION			0		0	20,624,056		20,624,056
AMORTISATION 2022	-3,942	-15,595	0		-19,537	-21,059,119		-21,059,119

Gross value	27,594	139,801	0		167,394	500,038,963	50,355,775	550,394,738
Accumulated amortisation	-13,468	-67,522	0		-80,991	-276,222,457		-276,222,457
NET BALANCE AT 31.12.2022	14,125	72,278	0		86,404	223,816,506	50,355,775	274,172,281

It should be noted that no fixed assets are pledged as collateral, there are no contractual commitments for the acquisition of new fixed assets nor is the Company entitled to compensation from third parties for impairment losses and disposals.

The aforementioned reclassification under "Concession Rights" refers to the set of plants, real estate and other assets which were used by the former operators and the ownership of which was transferred to Alia S.p.A. at the inception of the concession, as detailed in the paragraph on "Concession Rights".

5) Equity investments

The value of equity investments amounted to Euro 223,271 thousand (of which Euro 19,524 thousand in subsidiaries and Euro 181,911 thousand in associates, while non-qualified investments amounted to Euro 21,835 thousand).

Description	Balance at 31 12 2022
Equity investments in subsidiaries (valued at cost)	19,524,087
Equity-accounted investments in Associates and joint ventures	181,911,446
Other Equity investments	21,835,263
TOTAL	223,270,797

Equity investments in subsidiaries valued at cost

The table below shows the book value of investments in subsidiaries:

	PROGRAMMA AMBIENTE S.p.A.	PROGRAMMA AMBIENTE APUANE	REVET S.p.A.	VALCOFERT SRL	TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES

% ownership	0.00%	80.00%	55.50%	83.33%	
Value at 31.12.2021	1,371,020	0	15,331,407	267,188	16,969,615
Acquisitions		3,542,048	2,185,492		5,727,540
Write-downs		-1,802,048			-1,802,048
Change from merger by incorporation	-1,371,020				-1,371,020
Value at 31.12.2022	0	1,740,000	17,516,899	267,188	19,524,087
Company equity	0	841,664	39,376,178	144,490	40,362,332
Share of equity attributable	0	673,331	21,853,779	120,404	22,647,514
Difference	0	1,066,669	-4,336,880	146,784	-3,123,427

Revet is a company specialising in the collection and selection of waste from sorting and recycling of heterogeneous plastic waste.

On 16 May 2022 the investment was increased from 51% to 55.50% through the acquisition of shares from another shareholder.

On 26 April 2022 there was the completion of the merger by incorporation of subsidiary Programma Ambiente S.p.A., with legal effects applied from 2 May 2022 and accounting effects backdated to 1 January 2022.

The transaction entailed the acquisition of an 80% stake in Programma Ambiente Apuane S.p.A., a company that operates a landfill site for non-hazardous inert waste and asbestos cement products.

Valcofert S.r.l. is a company operating in the sector of fertilisers.

On 5 July 2021 the Company became a subsidiary controlled by Alia, which currently holds 83.33% of quota capital.

Equity-accounted investments in associates and joint ventures

The table below shows the book values and the income statement and balance sheet data of associates and joint ventures:

GENERAL DETAILS							
Company name	IRMEL SRL	AL.BE SRL	SEA RISORSE SPA	REAL SRL	TOSCANA ENERGIA SPA	VALDISIEVE SCRL	
Main operating office	PONTE BUGGIANESE (PT) - VIA CAMPORCIONI EST 16	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	VIAREGGIO - VIA PALADINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FLORENCE - PIAZZA ENRICO MATTEI, 3	FLORENCE (FI) VIA BENEDETTO VARCHI 34 - 50132	
Registered office	PONTE BUGGIANESE (PT) - VIA CAMPORCIONI EST 16	PECCIOLI (PI) - VIA GUGLIELMO MARCONI	VIAREGGIO - VIA DEI COMPARINI	EMPOLI (FI)- VIA MOLIN NUOVO 28/30	FLORENCE - PIAZZA ENRICO MATTEI, 3	FLORENCE (FI) VIA BENEDETTO VARCHI 34 - 50132	
Ownership percentage held by the company	36%	50%	24.00%	50.10%	20.61%	25.00%	
Sharing of voting rights held by the Company	36%	50%	24.00%	50.10%	20.61%	25.00%	
ALIA BALANCE SHEET VALUES							TOTAL
Value at 31.12.2021	400,697	3,065,350	598,839	2,877,476	0	300,783	7,243,145
Dividends collected			-93,280	-1,002,000		-2,273	-1,097,553
Purchases		7,500,000			167,274,071		174,774,071
Changes through P&L (Profit (loss) for the period)	60,952	-31,009	1,699	960,141		0	991,783
Value at 31/12/2022	461,649	10,534,341	507,258	2,835,617	167,274,071	298,510	181,911,446

Specifically, it should be noted that there was the acquisition of a 20.61% stake in the share capital of Toscana Energia S.p.A., equal to Euro 167,274,071. The investment derived from the contribution of the shares held by

the Municipal Government of Florence in Toscana Energia S.p.A., as a subscription quota for the capital increase of Alia, the related agreement for which was signed by a notarial deed dated 30 December 2022.

The main investments in associates are:

- Sea Risorse S.p.A. (a company operating in sorted waste collection operations in two municipal districts of the Versilia region).
- Irmel S.r.l.: the company operates treatment and waste-to-energy plants for inert waste from construction, in the provinces of Pistoia and Florence, respectively.
- Al.be S.r.l.: was established in a 50-50 partnership with Belvedere S.p.A. on 11 April 2018. Its purpose is the recovery and processing of waste with the operation of plants for the production of biogas - biomethane and biofuels. Work continued on the construction of the plant in 2022.
- REAL S.r.l.: this company was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. The company operates in the collection, processing, sorting, transformation and storage of waste paper. The Company has established that the partnership agreement it has currently in place with the partner Relife S.p.A. falls within the scope of joint ventures.
- Valdisieve Società consortile: is a holding company that controls companies operating in the waste sector.
- Toscana Energia S.p.A.: the company is active in the operation of natural gas networks and gas distribution of any kind in all its applications, and carries out any activities that are related and instrumental to the conduct of the business.

Non-qualified equity investments amounted to Euro 21,835,263.

The main non-qualified investments related to the quota of 16.5% in Scapigliato for Euro 8,500,269 and a stake of 3.95% in Publiacqua for Euro 13,218,382. The acquisition of shares of Publiacqua derived from the contribution made by the Municipal Government of Pistoia on 30 December 2022, as a subscription quota for the capital increase of Alia.

6) Non-current financial assets, non-current trade receivables and current and non-current contract assets

Below are the non-current financial assets:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Receivables from Subsidiaries	1,840,794	761,340	1,079,455
Guarantee deposits	1,229,685	216,278	1,013,407
TOTAL	3,070,479	977,617	2,092,862

The balance at 31 December 2022, equal to Euro 3,070 thousand, net of the Provision for write-down, mainly includes receivables from Programma Ambiente Apuane S.p.A. for Euro 1,840 thousand.

Below is the breakdown of the Provision for bad debts:

Description	31/12/2021	Increases	Uses/ Releases	31/12/2022
Provision for bad debts - loan to subsidiaries	58,660	60,475		119,135
TOTAL	58,660	60,475	-	119,135

Below are non-current trade receivables:

	Balance at 31 12 2022	Balance at 31 12 2021	Change
Non-current trade receivables	2,733,178	2,110,649	622,529
TOTAL	2,733,178	2,110,649	622,529

This item includes trade receivables due beyond 12 months from the end of the year as a result of the payment plans agreed upon with the counterparties.

The asset items in the statement of financial position relating to “Current contract assets” and “Non-current contract assets” include the amount owed by customers in relation to the 2021 AMM (Euro 16.2 million) and 2022 AMM (Euro 19.1 million) tariff component, respectively.

Furthermore, reference should be made to the information provided in note 23 “Revenues.”

7) Deferred tax assets and liabilities and other non-current assets

Description	BALANCE AT 31 12 2022	BALANCE AT 31 12 2021	Change
Deferred tax assets	9,316,205	14,540,788	-5,224,583
Deferred tax liabilities	4,599,852	5,364,211	-764,359
TOTAL	4,716,353	9,176,577	-4,460,224

Deferred tax assets are generated by the temporary differences between the balance sheet profit and taxable income, mainly in relation to the provision for bad debts, provisions for risks and charges, statutory amortisation greater than that for tax purposes, past tax losses and provisions for employee benefits.

Tax losses will be recovered through taxable income that the company will generate during the period of the concession term as they can be also inferred from the long-term plan for the period 2022-2031, which was approved by the Company's Board of Directors on 22 June 2022, and updated on 26 September 2022.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against corresponding current tax liabilities.

They are reported in the financial statements by offsetting deferred tax asset items, equal to Euro 9,316,205 against the debt for deferred tax liabilities, equal to Euro 4,599,852.

The receivable for deferred tax assets reported in the statement of financial position (equal to Euro 9,316 thousand) includes the receivable for deferred tax assets through OCI for Euro 138 thousand.

Below is a breakdown of deductible and taxable temporary differences:

DEFERRED TAX ASSETS (net of deferred tax liabilities)

ITEMS	DEFERRED TAX ASSETS/LIABILITIES - 2021			CHANGES - 2022			DEFERRED TAX ASSETS/LIABILITIES - 2022		
	Temporary Differences		Tax effect	Temporary Differences		Tax effect	Temporary Differences		Tax effect
Fixed assets	-13,026,170	IRES tax	-3,126,281	1,378,083	IRES tax	330,740	-11,648,087	IRES tax	-2,795,541
Fixed assets		IRAP tax	-666,940		IRAP tax	70,558		IRAP tax	-596,382
Case Passerini landfill	-5,394,883	IRES tax	-1,294,772	1,246,775	IRES tax	299,226	-4,148,108	IRES tax	-995,546
		IRAP tax	-276,218		IRAP tax	63,835		IRAP tax	-212,383
Total deferred tax liabilities			-5,364,210			764,359			-4,599,852
Provision for bad debts	16,031,388	IRES tax	3,847,533	295,424	IRES tax	70,902	16,326,812	IRES tax	3,918,435
Productivity	4,122,722	IRES tax	989,453	177,681	IRES tax	42,643	4,300,403	IRES tax	1,032,097
Litigation risks	2,378,824	IRES tax	570,918	-405,527	IRES tax	-97,326	1,973,297	IRES tax	473,591
Litigation risks		IRAP tax	121,796		IRAP tax	-20,763	0	IRAP tax	101,033
Employee Severance Pay	52,943	IRES tax	12,706	65,212	IRES tax	15,651	118,155	IRES tax	28,357
Tax losses from previous years	26,042,938	IRES tax	6,250,305	-20,782,234	IRES tax	-4,987,736	5,260,704	IRES tax	1,262,569
Vaiano landfill	1,222,794	IRES tax	293,471	59,147	IRES tax	14,195	1,281,941	IRES tax	307,666
Vaiano landfill		IRAP tax	62,607		IRAP tax	3,028		IRAP tax	65,635
Vigiano landfill	5,469,284	IRES tax	1,312,628	517,906	IRES tax	124,297	5,987,190	IRES tax	1,436,926
Vigiano landfill		IRAP tax	280,027		IRAP tax	26,517		IRAP tax	306,544
Provision for maintenance risks	456,430	IRES tax	109,543	286,912	IRES tax	68,859	743,342	IRES tax	178,402
Provision for maintenance risks		IRAP tax	23,369		IRAP tax	14,690		IRAP tax	38,059
Provision for bad debts on loans	58,660	IRES tax	14,078	60,475	IRES tax	14,514	119,135	IRES tax	28,592
ACE (Allowance for Corporate Equity)	0	IRES tax	0		IRES tax		0	IRES tax	0
Actuarial gain/loss O.C.I.	2,718,134	IRES tax	652,352		IRES tax	0		IRES tax	0
Total deferred tax assets			14,540,786			-4,710,529			9,177,907
Total deferred tax assets and liabilities	40,133,066		9,176,576	-17,100,146		-3,946,170	20,314,785		4,578,055

[IRES = Corporate Income Tax]

[IRAP = Regional Production Activity Tax]

8) Other non-current assets

Description	BALANCE AT 31 12 2022	BALANCE AT 31 12 2021	Change
IRAP tax credit (ACE, Allowance for Corporate Equity) beyond 12 months	75,031	153,169	- 78,137

Prepaid expenses	1,326,323	1,144,191	182,132
TOTAL	1,401,354	1,297,360	103,994

The amount of Euro 75 thousand related to the transformation of the ACE (*Aiuto alla Crescita Economica*, Allowance for Corporate Equity) surplus into a tax credit that can be offset. Prepaid expenses mainly relate to surety policies.

9) Inventories

The table below shows changes in inventories:

Values at 31/12/2021	2,468,383
Changes recorded during the year	220,495
Values at 31/12/2022	2,688,878

Inventories, amounting to Euro 2,689 thousand (Euro 2,468 thousand at 31 December 2021) mainly consisted of spare parts and equipment for the maintenance and running of the plants in operation.

10) Trade receivables

The table below shows the breakdown of trade receivables:

Description	BALANCE AT 31 12 2022	BALANCE AT 31 12 2021	Change
Receivables from Customers	133,265,363	128,768,111	4,497,252
Provision for bad debts	- 17,183,936	- 16,031,387	- 1,152,549
TOTAL	116,081,427	112,736,723	3,344,703

The balance mainly includes receivables from Municipalities, third-party customers and related companies. These receivables mainly relate to invoices issued to municipalities for environmental hygiene services not yet collected at 31 December 2022 and receivables from users for TIA (*Tariffa di Igiene Ambientale*, Environmental Hygiene Tariff) bills.

For the sake of completeness, we must note the recognition of trade receivables classified as non-current assets for an amount of Euro 2.7 million (Euro 3.9 million at 31 December 2021) relating to trade receivables due more than 12 months after the end of the financial year as a result of payment plans agreed with counterparties.

Below is the breakdown of changes in the provision for bad debts:

Description	31/12/2021	Increases	Uses	31/12/2022
Provision for bad debts	16,031,387	1,664,454	511,905	17,183,936

The Provision for bad debts was used mainly for the write-off of TIA tariff receivables.

Below is the ageing of receivables from customers at 31 December 2022 (current portion):

BALANCE OF RECEIVABLES - 2022	OVERDUE AMOUNTS				AMOUNTS FALLING DUE
	0-30	31-60	61-90	Beyond 90	
133,265,363	3,517,666	231,849	200,293	4,043,329	125,272,227

The total amount of ageing, equal to Euro **133,265,363**, only includes the amount of receivables from customers (due within and beyond 12 months) for invoices issued, including invoices to be issued (Euro 79,542,479) and credit notes to be issued (Euro 1,839,905).

The asset items in the statement of financial position relating to “Current contract assets” and “Non-current contract assets” include the amount owed by customers in relation to the 2021 AMM (Euro 16.2 million) and 2022 AMM (Euro 19.1 million) tariff component, respectively.

Furthermore, reference should be made to the information provided in note 23 “Revenues.”

11) Current tax assets

The table below shows the breakdown of current tax assets:

Description	BALANCE AT 31 12 2022	BALANCE AT 31 12 2021	Change
IRES tax advances	405,657	72,587	333,070
Withholding tax receivables from Tax Office	29,666	22,509	7,157
TOTAL	435,323	95,096	340,227

The balance at 31 December 2022, equal to Euro 435 thousand, mainly consists of IRES (Corporate Income) tax advances, for amounts in excess of the debt calculated at the end of the year and receivables for withholdings reported.

12) Other current assets

Below is the breakdown of other current assets:

Description	BALANCE AT 31 12 2022	BALANCE AT 31 12 2021	Change
VAT receivables from Tax Office	0	343,119	-343,119
Receivables from Tax Office for VAT refund	418	418	0
Other receivables	3,412,205	6,093,722	-2,681,517
Prepaid expenses	2,676,699	1,073,652	1,603,047
TOTAL	6,089,321	7,510,911	-1,421,590

The balance at 31 December 2022, amounting to Euro 6,089 thousand, related to other receivables for Euro 3,412 thousand, of which an amount of Euro 1,600 thousand from ATO for grants to be received.

Prepaid expenses mainly relate to surety policies.

13) Cash and cash equivalents

The table below shows the balances of the items at 31 December 2022:

Description	BALANCE AT 31 12 2022	BALANCE AT 31 12 2021	Change
Current bank accounts	16,392,239	33,260,048	-16,867,809
Postal accounts	1,246,698	464,545	782,154
Money and Cash on hand	6,681	6,072	609
TOTAL	17,645,618	33,730,665	-16,085,046

The balance consists of liquid assets, cash on hand and cash equivalents at the reporting date.

In summary, the reduction in cash and cash equivalents recorded during the year was attributable to:

- Cash outflows deriving from investing activities, mainly related to investments in concession rights (Euro

84.9 million) and equity investments (Euro 10 million);

- Net inflows generated by operating activities for Euro 19.6 million;
- Net inflows generated by financing activities in the amount of Euro 60.3 million, relating to the subscription of the new bond and Capex facility.

4) EXPLANATORY NOTES TO EQUITY AND LIABILITY ITEMS

SHAREHOLDERS' EQUITY

14) Share capital

The share capital of Alia S.p.A. at 31 December 2022 is divided into 153,413,910 ordinary shares with a value of Euro 1.00 each, fully authorised and paid up; no treasury shares are held.

On 24 October 2022 the extraordinary shareholders' meeting of Alia resolved a capital increase with payment, equal to Euro 59,413,910, in addition to an overall premium of Euro 120,718,278.

The increase was subscribed, under a deed drawn up by Mr Cerbioni, Notary Public, on 30 December 2022, by the Municipal Government of Florence for Euro 55,062,727, through the contribution of the stake in Toscana Energia S.p.A. and by the Municipal Government of Pistoia for Euro 4,351,183 through the contribution of the stake in Publiacqua S.p.A..

15) Reserves

The table below shows the breakdown of reserves:

Description	Balance at 31/12/2021	Allocation of the previous year's result	Capital increase without payment	Changes for the year	Balance at 31/12/2022	Possible use (*)
Share premium reserve	9,547,445			126,178,234	135,725,679	A, C
<i>Legal reserve</i>	1,848,130			423,771	2,271,901	C
<i>Extraordinary reserve</i>	0			29,289,698	29,289,698	A,B,C
<i>OCI reserve - Actuarial loss</i>	-1,237,738			1,627,838	390,100	
<i>Profits carried forward</i>	355,229				355,229	A,B,C
<i>Other reserves</i>	0			10,165,513	10,165,513	A,B,C
<i>Rebalancing reserve</i>	38,297,597			-38,297,597	0	A,C
<i>Ex Asm SpA Business combination reserve</i>	-2,488,476				-2,488,476	A,B,C
<i>Ex Publiambiente SpA Business combination reserve</i>	9,327,922				9,327,922	A,B,C
<i>Ex Cis Srl Business combination reserve</i>	580,659				580,659	A,B,C
Extraordinary reserve and other profit reserves	46,683,323	0	0	3,209,222	49,892,545	
Total reserves	56,230,768	0	0	129,387,456	185,618,224	
IAS transition reserve	7,896,005				7,896,005	A,C

() Capital increase (A) - Distribution to shareholders (B) - Loss coverage (C)*

The increase recorded in 2022 related to the allocation of the result for the 2021 financial statements and to the aforesaid capital increase, which had been resolved on 24 October 2022, through the contribution of investments in Toscana Energia S.p.A. and Publiacqua S.p.A..

Share premium reserve

The share premium reserve was set aside in 2017 against the merger of ASM S.p.A, CIS S.r.l. and Publiambiente S.p.A. into former Quadrifoglio S.p.A. (subsequently Alia S.p.A.). It is derived from the differences between the capital increases resolved upon the merger and the shareholders' equity values of the three merged companies and was reduced as a result of the capital increase without payment.

This reserve also includes the differential of the results of operations in the financial statements taken as a basis for the share swap at 30 June 2016 and the results taken as a basis for the merger transactions at 31 December 2016. These differences, which were appropriately allocated to the aforementioned reserves, are set at Euro 3,081 thousand for the contribution given by former Publiambiente S.p.A., Euro 37 thousand by former A.S.M. S.p.A. and Euro - 4 thousand by former CIS S.r.l..

The same differential was also recorded for the contribution of the equity of former Quadrifoglio S.p.A. and was appropriately allocated to extraordinary reserve and other revenue reserves, amounting to Euro 2,218 thousand. The increase recorded in 2022 mainly related to the capital increase subscribed by the Municipal Governments of Florence and Pistoia.

Rebalancing reserve

During 2022, it was decreased by allocation to Extraordinary Reserve and Other Reserves as a result of the completion of an increase without payment and a simultaneous proportional reduction in the share capital.

16) Provisions for risks and charges

Below is the breakdown of the item:

DESCRIPTION	Other risks	Provision for non-routine maintenance risks (IFRIC 12)	Case Passerini landfill	Vaiano landfill	Vigiano landfill	TOTAL
Value at 31/12/2021	9,570,546	456,430	17,068,660	1,548,668	5,972,841	34,617,145
Changes for the year						
Provisions	4,315,403	286,912				4,602,315
Adjustment to the provision			1,092,714	48,835	480,116	1,621,665
Financial costs (income)			154,061	10,312	37,790	202,163
Uses, reclassifications and releases	- 4,543,250		-32,849	50,928	193,440	- 4,820,467
Value at 31/12/2022	9,342,700	743,342	18,282,585	1,556,887	6,297,307	36,222,821

The balance of provisions for risks and charges, equal to Euro 36,222 thousand, showed an increase of Euro 1,606 thousand compared to 2021.

The balance at the end of the year mainly included:

- Post-closure provision for Euro 26,136 thousand: this is the amount set aside to meet the costs that shall be incurred to manage the closure and post-closure period of landfills that are currently under management. Future outlays, which are inferred for each landfill from a specific valuation report, prepared by an independent third-party expert, have been discounted in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting procedure and the provisions due to changes in the assumptions on future outlays following the review of valuation reports concerning both landfills in operation and those already exhausted. The uses consist of the actual outlays that were determined during the year.

As regards Case Sartori, a provision for Post-closure operation was not set aside in accordance with the provisions of the EFP drawn up in tendering, which led to awarding the environmental management

service of ATO Toscana Centro. According to the plan, the costs incurred for the post-management of this landfill will in fact be covered as required by the WTM.

- Provisions for Other risks for Euro 9,343 thousand. This item has been recorded to cover future and possible risks related to pending disputes (for Euro 19 thousand). It should be noted that in 2022 provisions were set aside for about Euro 4.3 million for productivity bonuses payable to employees.
- Provision for restoration and replacement for Euro 743 thousand. This item is recorded to meet costs relating to future and prospective cyclical non-routine maintenance of plants, as required by IFRIC 12.

The item of uses, reclassifications and releases of the provision for other risks, amounting to Euro 4,820 thousand, related to the payment of bonuses to employees in 2022 for Euro 4,123 thousand.

Furthermore, the potential impact on the Provisions for post-closure period of landfills in terms of increases, as a result of a theoretical decrease of 50 bps in discount rates, would be equal to Euro + 2,293 thousand. On the contrary, the potential impact on the Provision in terms of decrease, as a result of a theoretical growth of 50 bps in interest rates, would be equal to about Euro - 2,045 thousand.

Finally, the potential effect on Provisions relating to post-closure operation of landfills in terms of increase, as a result of an assumed increase of 5% of expected future outlays, should be equal to Euro 1,307 thousand.

17) Employee severance pay and other employee benefits

The amount payable to employees for severance pay benefits at 31 December 2022 is shown in the table below:

Value at 31/12/2021	15,433,734
Interest Cost	65,212
Uses	-1,462,737
Transfer to other social security institutions	-230,902
Transfers in/out	237,002
(Actuarial (Gain) / Loss	-2,141,892
Value at 31/12/2022	11,900,416

The item, amounting to Euro 11,900 thousand, includes provisions for subordinate employee severance pay and other contractual benefits, net of advances granted and payments made to social security institutions in

accordance with current legislation. The calculation is carried out by using actuarial techniques and discounting future liabilities at the reporting date. These liabilities consist of the receivables that the employees will accrue on the date on which they will presumably leave the company.

The table below shows the main assumptions used in the actuarial estimate of employee benefits:

Description	% Rate used for FY 2022	% Rate used for FY 2021
Inflation rate	2.30%	1.75%
Annual discount rate	3.63%	0.44%
Annual rate of overall pay increases	3.225%	2.81%
Annual frequency of leaving work for reasons other than death	1.00%	1.00%

The actuarial component relating to the Employee Severance Pay and the related deferred tax are shown in the OCI section.

The table below shows the effects in absolute values at 31 December 2022 which would have been reported following reasonably possible changes in actuarial assumptions:

turnover rate + 1%	11,949,811
turnover rate - 1%	11,846,926
inflation rate + 0.25%	12,038,641
inflation rate - 0.25%	11,764,271
discount rate + 0.25%	11,686,010
discount rate - 0.25%	12,121,140

It should be noted that the Company has made reference, for the measurement of the discount rate, to the iBoxx Corporate AA index with duration 7-10.

18) Non-current financial liabilities and Non-current financial liabilities for rights of use

The table below shows the breakdown of Non-current financial liabilities:

Description	Balance at 31/12/2022						Change
	Current	Non-current	Total	Current	Non-current	Total	
Bonds	- 111	94,461,912	94,461,800	10,988,644	34,897,383	45,886,027	48,575,773
Capex Facility loan	192,609	45,857,698	46,050,307	-	-	-	46,050,307
Financial liabilities to banks	12,995,245	3,968,818	16,964,062	44,275,416	6,810,830	51,086,246	- 34,122,184
Total financial liabilities	13,187,742	144,288,428	157,476,169	55,264,060	41,708,214	96,972,274	60,503,896

Below are the changes in payables to banks and bondholders for loans:

Amounts in Euros	31/12/2021	New loans	Repayments	Reclassifications	Other changes	31/12/2022
Non-current financial liabilities	41,708,214	136,389,223	(29,999,900)	(2,844,310)	(964,799)	144,288,428
Current financial liabilities			-			
Overdrafts (Short-term borrowings)	36,950,000	79,850,000	(106,850,000)	-	-	9,950,000
Current portion of non-current debt	18,314,060	-	(17,112,393)	2,844,310	(808,235)	3,237,742
Total current financial liabilities	55,264,060	79,850,000	(123,962,393)	2,844,310	(808,235)	13,187,742
Total financial liabilities to banks	96,972,274	216,239,223	(153,962,293)	-	(1,773,034)	157,476,169

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 12,955 thousand).

The information on the main outstanding financial liabilities is reported below.

Bond: the Company has two bond issues in place with an overall residual value of Euro 95,000,100, both of which are listed on the Euronext Dublin market (formerly the Irish Stock Exchange).

The first one of the two loans was issued on 9 March 2017 for a nominal value of Euro 50,000,000, with a term of seven years and an effective interest rate of 2.7%; the residual debt at 31 December 2022 was equal to Euro 5,000,100.

The loan started to be repaid from 2021; at the reporting date of these financial statements, the value of the portions repaid by the Company amounted to Euro 44,999,900, of which an amount of Euro 29,999,900 relating to the partial repurchase made on 22 April 2022.

The second (senior unsecured and non-convertible unrated) bond of the two loans was issued on 23 February 2022 for a nominal value of Euro 90,000,000, with a term of six years, and a variable interest rate equal to 6-month EURIBOR, plus a spread of 2.60% ("2022 Bond"). The interest coupon is semi-annual and redemption will take place in one instalment at maturity (23 February 2028).

Capex Facility: on 22 April 2022 the Company signed, with a pool of banks, a final "Capex Facility" agreement worth Euro 135,000,000 with a two-year availability period. It has a term of five years and a variable interest rate equal to 6-month EURIBOR, plus a spread of 2.40%. The amortisation of the loan will commence in May 2024 and will concern 20% of the value of the drawdown executed; the remaining 80% will be repaid in one instalment at maturity (22 April 2027). On 29 April 2022, the Company carried out the first drawdown on the facility worth Euro 46,389,223.

Cash and cash equivalents deriving from the bond issue(s) and the execution of the Capex Facility agreement are mainly intended to finance the investments planned and attributable to the transformation of services under the twenty-year concession agreement.

The aforesaid borrowings provide for compliance with certain levels of financial ratios set out as per contract, such as Net Financial Position/EBITDA, Net Financial Position/Equity and EBITDA/Financial costs, according to the definitions agreed with the financing counterparties and measured on the Company's balance sheet values. It should be noted that the levels applicable to the 2017 Bond were also restated as part of the issue of the new bond.

Failure to comply with the covenants and other contractual commitments applied to the loans, if not adequately remedied within the agreed terms, may result in the obligation to repay the related residual debt in advance.

The Company had complied with all the aforesaid parameters as at 31 December 2022.

Finally, it should be noted that, in line with market practice, the aforesaid loans may include negative pledge commitments under which the Company may not create security rights or any other encumbrance on company

assets; "pari passu" clauses, under which loans will have the same degree of priority in repayment as other financial liabilities, and "change of control" clauses, which shall apply in the event that the majority shareholder loses control over the company; limitations on the extraordinary transactions that the Company may carry out, as well as on the amount of distributable dividends.

The table below shows the breakdown of "Net Financial debt" at 31 December 2022, prepared in accordance with paragraph 175 and ff. of ESMA Recommendations/2021/32/382/1138.

Euro	31/12/2022	31/12/2021	Change
A. Cash	17,645,618	33,730,665	(16,085,047)
B. Cash equivalents	-	-	-
C. Other current financial assets	-	-	-
D. Liquidity (A + B + C)	17,645,618	33,730,665	(16,085,047)
E. Current financial debt	9,950,000	36,950,000	(27,000,000)
F. Current portion of non-current financial debt	4,760,322	19,538,618	(14,778,296)
G. Current financial debt (E + F)	14,710,322	56,488,618	41,778,296
H. Net current financial debt (G - D)	(2,935,296)	22,757,953	(25,693,249)
I. Non-current financial debt	50,862,979	7,832,727	43,030,251
J. Debt instruments	94,461,912	34,897,383	59,564,528
K. Trade payables and other non-current payables	4,480,000	5,433,333	(953,333)
L. Non-current financial debt (I + J + K)	149,804,890	48,163,444	101,641,447
M. Total financial debt (H + L)	146,869,594	70,921,396	75,948,198

Description	Balance at 31/12/2022			Balance at 31/12/2021			Change
	Current	Non-current	Total	Current	Non-current	Total	

Financial liabilities for rights of use	569,247	1,036,463	1,605,710	271,225	1,021,897	1,293,122	312,588
Total Financial liabilities for rights of use	569,247	1,036,463	1,605,710	271,225	1,021,897	1,293,122	312,588

19) Non-current trade payables and Other non-current liabilities

Non-current trade payables

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Payables to suppliers due beyond 12 months	3,400,000	4,233,333	833,333
TOTAL	3,400,000	4,233,333	833,333

This item refers to the Company's payable to third party suppliers for the instalment payment of the acquisition of the Montignoso landfill, which took place during 2018.

Other non-current liabilities

Below is the related breakdown:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Deferred income beyond 12 months	2,444,852	3,063,918	-619,066
Payables to Publiservizi SpA	1,080,000	1,200,000	-120,000
Provincial Tax	501,171	507,106	-5,935
Guarantee deposits	1,500	1,500	0
TOTAL	4,027,523	4,772,524	-745,000

The payable to Publiservizi S.p.A., equal to Euro 1,080 thousand, relates to an amount owed to this company for the purchase of an industrial shed located in the Municipal district of Fucecchio (Florence).

The Provincial Tax Debt consists of the amount to be paid for this purpose on TIA tariff bills collected during the year. Deferred income relates to portions of set-up grants received and accruing in future years. The breakdown of portions accrued after 2022 and beyond five years can be inferred from the table below:

	FROM 1 TO 5 YEARS	BEYOND 5 YEARS
TOTAL	563,476	1,881,376

CURRENT LIABILITIES

20) Current financial liabilities

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Bonds		10,000,000	-10,000,000
Accrued interest on Bonds	-111	988,644	-988,755
Accrual on Capex Facility	192,609		192,609
Payables to Banks within 12 months	12,995,245	44,275,416	-31,280,171
TOTAL	13,187,742	55,264,060	-42,076,318

The balance at 31 December 2022 amounted to Euro 13,187,742 (Euro 55,264,060 at 31 December 2021) and mainly related to short-term payables to banks, including the amounts of loans falling due within the subsequent 12 months. There were no overdrafts.

21) Trade payables

The table below shows the breakdown of trade payables:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Payables to suppliers	92,165,506	77,853,919	14,311,587
Payables to subsidiaries	10,696,288	10,667,653	28,635
Payables to associates	1,927,919	377,881	1,550,038
Payables to entities controlled by parent companies	30,239	27,007	3,232
TOTAL	104,819,952	88,926,460	15,893,492

The balance, equal to Euro 104,820 thousand (Euro 88,926 thousand at 31 December 2021) mainly includes trade payables to third-party suppliers (Euro 92,166 thousand) and to subsidiaries (Euro 10,696 thousand).

The payable to subsidiaries mainly relates to invoices received from Revet for collection and treatment of light multi-material and glass, and sales of compost.

22) Other current liabilities

Other current liabilities are broken down in the table below:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Other payables	2,214,664	1,846,426	368,239
Payables to employees	6,480,685	7,218,268	-737,583
Accrued expenses	1,123,544	5,484	1,118,060
Deferred income	619,066	862,022	-242,957
VAT payables to Tax Office	132,662	0	132,662
Deferred VAT - Customers	776	776	-0
Withholding tax payables to Tax Office	48,540	41,397	7,142
Employee IRPEF tax payables to Tax Office	2,087,278	1,575,862	511,417
Payables to social security institutions	3,905,408	3,901,122	4,286
Payables to the Municipality of Florence	4,588	8,882	-4,294
TOTAL	16,617,211	15,460,240	1,156,971

The debt positions illustrated above relate to the tax and social security payables repaid by the Company within 12 months. The payable to the shareholder Municipality of Florence relates to payments for waste tax, received from users as accounting agents and reversed after 12 months.

5) EXPLANATORY NOTES TO THE INCOME STATEMENT ITEMS

23) Revenues

Revenues from waste collection, treatment and disposal service, amounted to Euro 377,767 thousand, of which an amount of Euro 339,667 thousand came from the Municipalities that are directly and indirectly shareholders of the Company. The remaining revenues related to other sales and commercial services.

Description	2022	2021	Change
Revenues from integrated waste management	336,375,569	311,546,319	24,829,250
Revenues from other sales and services	41,391,584	31,390,409	10,001,175
TOTAL	377,767,153	342,936,728	34,830,425

Revenues from integrated waste management

They were achieved from the Municipalities and relate to the work performed according to the provisions of the Service Contract and consisting of waste collection, transport and sweeping, plant management, post-closure operation of landfills, construction of collection sites and any related ancillary activities.

Following the amendment to the Service Contract adopted by an additional deed dated 7 October 2021, it was provided, among other things, that the consideration due to Alia for the delivery of the services it performs should be set in accordance with the relevant regulatory provisions issued by ARERA ("Waste Tariff Method", hereinafter also referred to as "WTM"), thus introducing the coincidence between contract price and the price deriving from regulatory provisions, with specific regard to Resolutions no. 443/2019 of 31 October 2019 (reporting the "Definition of criteria for the recognition of efficient operating and investment costs of the integrated waste service, for the period 2018-2021", hereinafter also referred to as "Resolution 443") and no. 363/2021 of 3 August 2021 ("Approval of the waste tariff method MTR-2 for the second regulatory period 2022-2025, hereinafter also referred to as "Resolution 363").

In summary, the WTM provides that the tariff should be calculated, within the approval procedure of the Economic and Financial Plan ("EFP") of the concession, by considering the following components:

- Variable costs for waste collection, transport and treatment (taking account of any revenue component);
- Costs for the use of capital, which include amortisation and depreciation of the Operator's fixed assets (as determined according to the Regulatory Useful Life).

In this context, it should be noted that the approval of the 2022-2025 EFP on the part of the General Meeting of ATO by Resolution no. 07/2022 of 23 May 2022, laid down for the first time a provision on forecast interventions/investments for a four-year time horizon (as opposed to the previous annual term).

Alia's Management has established, with the support of third-party legal counsels and the relevant trade association, that the aforementioned updates that concerned the regulatory provisions and the method to determine tariffs, allow for the recognition of revenues equal to the amortisation and depreciation incurred but not yet recognised in the tariff due to the "time lag t-2"; in fact, it should be recalled that the determination of the fee for the financial year "n" is based on the final costs (relevant for regulatory purposes) reported in the year "n-2", thus resulting in a time lag of two years between the recognition of the charges and the related recognition in the WTM tariff.

The analyses carried out showed that Alia has a contractual right to this fee component (AMM tariff component) since it has a greater legitimate interest in having the amount recognised regardless of future performance.

The changed circumstances made it possible to overcome the uncertainty that in past years had not allowed the recognition of the fee pertaining to the component mentioned several times. The removal of this uncertainty has therefore made it possible to make estimates, which, unlike in the past, are considered to be reliable and therefore suitable to support the accounting recognition of the fee commensurate with the amortisation and depreciation calculated on investments that have been authorised, have been made and have entered into operation.

In applying IFRS 15 to the concrete case, by analogy (see IAS 8, paragraphs 10 and 11), the fee due to Alia for the services delivered was found to fall within the definition of variable consideration and it was highly probable that no circumstances would arise in the future which might call into question its existence or amount for the reasons stated above.

This change was accounted for as a change of estimate in accordance with paragraphs 32-38 of IAS 8 and was therefore recognised prospectively through profit or loss in the financial year.

Accordingly, the 2022 income statement includes revenues for 2021 (included in the 2023 WTM tariff) and 2022 (included in the 2024 WTM tariff) amortisation and depreciation, in addition to the revenue for the tariff component based on 2020 amortisation and depreciation (included in the 2022 WTM tariff).

On the other hand, revenues in 2021 included only the AMM tariff component included in the 2021 WTM tariff, thus resulting from amortisation and depreciation for 2021.

“Revenues from integrated waste management” then include the following components:

Description	2022	2021	Change
Revenues from ATO Resolution no. 7 of 23/05/2022 (excluding AMM tariff component)	285,720,316	298,033,166	-12,312,850
2019 AMM tariff component		13,513,153	-13,513,153
2020 AMM tariff component	15,375,821	0	15,375,821
2021 AMM tariff component	16,158,685	0	16,158,685
2022 AMM tariff component	19,120,747		19,120,747
TOTAL	336,375,569	311,546,319	24,829,250

Accordingly, the asset items in the statement of financial position relating to "Current contract assets" and "Non-current contract assets" include the amount owed by customers in relation to the 2021 and 2022 AMM tariff components, respectively.

Revenues from other sales and services

They mainly include proceeds achieved from consortia (COREPLA, COMIECO, COREVE etc.) and other entities.

Revenues obtained from Municipalities relate to waste collection and road sweeping operations set out under the concession agreement or according to other contracts, in which almost all the transactions take place under contracts that provide for only one performance obligation, which is satisfied over time.

Performance obligations relating to sales are instead satisfied at a point in time.

24) Other operating revenues

Other operating revenues amounted to Euro 5,546,360 (Euro 4,960,016 at 31 December 2021) and are broken down in the table below:

Description	2022	2021	Change
Incentive tariff	118,419	154,205	-35,786
Other revenues	2,042,940	1,444,234	598,706
Revenues for claims compensation	128,734	83,155	45,579
Electricity production incentives	118,842	243,246	-124,404
Contingent assets	879,477	490,590	388,887
Revenues from company canteen	300,426	282,223	18,203
Revenues from penalties	494,892	382,266	112,626
Recoveries and refunds	1,462,630	1,880,098	-417,468
TOTAL	5,546,360	4,960,016	586,344

The Company carries out waste collection and road sweeping activities set out in the concession agreement or under contracts with private individuals or entities, in which almost all transactions take place in accordance with contracts that provide for only one performance obligation which is satisfied over time.

Other income

Other income amounted to Euro 4,719,049 (Euro 2,979,159 at 31 December 2021) and are broken down in the table below:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Set-up grants	107,612	107,612	-0
Operating grants	505,693	147,453	358,240
Capital grants	699,475	699,475	-0
Revenues from recovery of fuel excise duties	91,907	411,571	-319,664
Capital gains from disposals	540,780	290,312	250,468
Research and development grant	6,820	6,820	0

Increases in Intangible assets	1,230,925	519,931	710,994
Increases in Property, plant and equipment	1,535,837	795,985	739,852
TOTAL	4,719,049	2,979,159	1,739,890

25) Operating costs

Below is the breakdown of the following operating costs:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Fuels and lubricants	9,341,189	8,254,972	1,086,217
Spare parts	1,856,187	2,089,387	- 233,200
Bags	1,958,185	1,270,979	687,206
Consumables	2,550,746	2,534,259	16,486
Chemicals	677,376	293,784	383,592
Other purchases	2,456,634	2,062,761	393,873
Consumption of raw materials and consumables	18,840,316	16,506,142	2,334,175
Waste collection	56,902,759	54,568,816	2,333,943
Insurance	3,852,875	4,720,865	- 867,990
TIA tariff collection services	1,138,220	1,205,237	- 67,017
Legal and notarial fees	446,305	288,327	157,978
Third-party services	5,836,223	4,077,293	1,758,930
Refund to suppliers of regional waste disposal tax	2,541,668	2,838,205	- 296,537
Others	14,725,777	13,090,475	1,635,302
Transport, treatment and disposal services	80,341,074	77,720,250	2,620,824
Cleaning and sweeping services	5,653,989	5,387,451	266,537
Operation and cleaning of green areas and historic centres	7,659,148	6,912,280	746,868
Environmental hardship allowance	1,317,797	1,366,098	- 48,301
Maintenance	9,956,041	10,179,459	- 223,418
Energy, water and gas utilities	4,457,598	3,403,177	1,054,420
Rentals and leases payable	4,179,865	2,054,190	2,125,675
Canteen	1,499,652	1,420,429	79,223
Costs for services	200,508,989	189,232,552	11,276,438
Wages and salaries	69,949,305	67,890,335	2,058,970
Contracted work	8,140,178	9,959,508	- 1,819,330
Social security costs	23,491,347	23,039,974	451,373
Employee severance pay	4,659,027	4,341,079	317,948

Other personnel costs	4,211,253	4,122,722	88,531
Personnel costs	110,451,110	109,353,618	1,097,492
Regional disposal tax	3,260	875	2,385
Contingent liabilities	678,878	287,639	391,239
Sundry tax and duties	1,396,223	1,220,924	175,299
Capital losses	304,696	166,852	137,844
Others	1,055,615	928,407	127,208
Other operating costs	3,438,671	2,604,697	833,974

The fees paid to directors and statutory auditors amounted to Euro 106,720 and Euro 38,373.

As regards the breakdown of the average number of employees at 31 December 2022, reference should be made to the paragraph on "Personnel recruitment and training policy" of the Report on Operations.

26) Amortisation, depreciation, provisions and write-downs

The table below shows the amortisation, depreciation and other provisions set aside during the year:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Amortisation of intangible assets	19,537	13,789	5,748
Depreciation of property, plant and equipment	256,246	727,603	- 471,357
Amortisation of concession rights	21,059,119	17,707,965	3,351,154
Amortisation of rights of use	333,292	283,708	49,584
Provisions for risks	- 102,914	3,070,873	- 3,173,786
Provisions for Post-closure operation of landfills	1,621,665	- 585,914	2,207,579
TOTAL	23,186,945	21,218,023	1,968,923

Net value write-backs (write-downs) of trade and other receivables

This item is broken down as follows:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Accrual to Provision for bad debts	952,304	- 223,116	1,175,420
TOTAL	952,304	-223,116	1,175,420

27) Financial operations

Write-downs and reinstatements of financial assets

There were no write-downs and reinstatements of financial assets.

Share of profits/losses of Joint Ventures and associates

The balance at 31 December 2022 came to Euro 989,510 and consists of the impact through profit or loss relating to revaluations and write-downs of equity investments in equity-accounted associates and joint ventures.

Financial income

The table below shows the breakdown of financial income:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Income from equity investments in other companies	3	68	-65
Other interest income from receivables	2,091,999	482,366	1,609,633
Interest income from current bank accounts	12,933	21,262	-8,328
Interest income from subsidiaries	14,930	10,618	4,312
Income other than the foregoing	392		392
TOTAL	2,120,257	514,313	1,605,944

Financial costs

The table below shows the breakdown of financial costs:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Interest on loans	1,370,534	287,393	1,083,141
Interest expense on Bond	2,534,852	1,311,554	1,223,298
Default interest expense	19,525	17,909	1,616
Interest expense on current bank accounts	28,175	22,401	5,774
Financial costs on discounting of provisions for post-closure operation of landfills	202,163	335,717	-133,554
Interest expense on Employee Severance Pay	65,212	0	65,212
Other interest expense	1,214,927	96,633	1,118,294
TOTAL	5,435,387	2,071,606	3,363,781

28) Taxation

Below is a reconciliation of difference between production value and costs and IRAP taxable income; the rate was 5.12% in 2022 and remained unchanged compared to 2021:

Difference between production value and costs	143,576,267
Increases due to revenues	
Decreases due to revenues	713,743
Increases due to costs	1,905,307
Decreases due to costs	100,222,496
Taxable income	44,545,335
Current IRAP tax rate	5.12%
Accrued IRAP tax	2,280,721

The following is a reconciliation between accounting income and IRES taxable income.

Profit (loss) before tax	28,328,605
Increases	8,389,928
Decreases	9,028,457
Tax losses	-22,152,061
ACE deduction	631,239
Taxable income	4,906,776
IRES tax rate	24%
Accrued IRES tax	1,177,625

Below is the calculation of the tax rate for 2022:

Current IRES tax	962,291
Current IRAP tax	2,298,610
Change in deferred tax	4,418,167
Accrued tax	7,679,068
Income before tax	27,328,605
Tax rate	27.11%

6) OTHER INFORMATION

Fees due to Independent Auditors

Annual fees for the statutory audit of accounts services performed by the audit firm PricewaterhouseCoopers S.p.A. to the Parent Company totalled Euro 60,000. Fees for non-audit services performed by the same audit firm amounted to Euro 15,000, relating to the limited assurance engagement of the Non-financial Statement of the Parent Company and to Euro 121,500 to other services.

Related-party transactions

The municipal waste service operated by Alia S.p.A. in the area of competence is performed on the basis of agreements signed with local area authorities and concerns the operation of collection, transport, road sweeping and washing services, sending waste for recovery and disposal, etc. on an exclusive basis. The agreements signed with local area authorities regulate the economic aspects of the contractual relationship, as well as the methods of organisation and operation of the service and the quantitative and qualitative levels of the services delivered. The fees due to the operator for the services performed, including municipal waste disposal, treatment and recovery, are set annually according to the national tariff method in accordance with ARERA WTM Resolution no. 443/2019. The 2021 fees approved by the local area authorities were invoiced to each Municipality or to the citizens, where the quantity-based tariff fee is applied.

"Related parties" are those indicated by the international accounting standard concerning disclosures on related-party transactions (IAS 24 revised).

Related-party transactions were carried out at arm's length, the major of which are shown below:

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
PARENT COMPANIES AT 31.12.2022	32,938	0	5	98,308	532
MUNICIPALITY OF FLORENCE	32,938		5	98,308	532

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
MUNICIPALITIES	73,402	0	1,533	241,092	1.868
MUNICIPALITY OF SIGNA	1,271		0	3,596	0
MUNICIPALITY OF SESTO FIORENTINO	2,088		233	10,980	273
MUNICIPALITY OF SCANDICCI	2,235		0	9,915	4
MUNICIPALITY OF CALENZANO	1,981		0	4,817	0
MUNICIPALITY OF BAGNO A RIPOLI	3,520		2	6,234	2
MUNICIPALITY OF CAMPI BISENZIO	4,516		164	9,383	170
MUNICIPALITY OF SAN CASCIANO VAL DI PESA	1,303		0	3,897	25
MUNICIPALITY OF IMPRUNETA	1,627		0	3,423	0
MUNICIPALITY OF GREVE IN CHIANTI	775		0	3,595	0
MUNICIPALITY OF FIESOLE	269		0	3,808	0
MUNICIPALITY OF BARBERINO VAL D'ELSA	40		0	0	3
MUNICIPALITY OF FIGLINE E INCISA VALDARNO	1,346		0	6,458	13
MUNICIPALITY OF SCARPERIA E SAN PIERO	198		0	2,647	1
MUNICIPALITY OF LASTRA A SIGNA	426		0	3,717	0
MUNICIPALITY OF EMPOLI	714		0	11,477	110
MUNICIPALITY OF VINCI	252		0	3,153	15
MUNICIPALITY OF MONTELUPO FIORENTINO	235		1	3,036	14
MUNICIPALITY OF CASTELFIORENTINO	237		0	3,656	38
MUNICIPALITY OF CERRETO GUIDI	456		0	2,138	3
MUNICIPALITY OF GAMBASSI TERME	136		0	1,024	0
MUNICIPALITY OF MONTAIONE	195		5	954	0
MUNICIPALITY OF BORGO SAN LORENZO	314		103	4,290	157
MUNICIPALITY OF CAPRAIA E LIMITE	103		0	1,530	0
MUNICIPALITY OF VICCHIO	1,559		0	1,983	0
MUNICIPALITY OF FUCECCHIO	345		0	4,893	21
MUNICIPALITY OF MASSA E COZZILE	440		0	1,567	0
MUNICIPALITY OF BARBERINO DI MUGELLO	800		0	2,574	0
MUNICIPALITY OF MONTESPERTOLI	1,718		339	2,574	348
MUNICIPALITY OF PONTE BUGGIANESE	825		0	1,658	0
MUNICIPALITY OF CERTALDO	215		15	3,282	14
MUNICIPALITY OF LARCIANO	562		0	1,257	0
MUNICIPALITY OF MONSUMMANO TERME	240		0	3,887	32

MUNICIPALITY OF VAGLIA	545		0	1,057	0
MUNICIPALITY OF PISTOIA	12,530		148	21,283	176
MUNICIPALITY OF SERRAVALLE PISTOIESE	1,254		0	2,076	0
MUNICIPALITY OF CHIESINA UZZANESE	570		0	855	0
MUNICIPALITY OF AGLIANA	614		0	3,406	0
MUNICIPALITY OF QUARRATA	877		0	5,203	2
MUNICIPALITY OF MONTALE	425		1	2,072	3
MUNICIPALITY OF BUGGIANO	795		0	1,695	0
MUNICIPALITY OF CANTAGALLO	303		7	540	0
MUNICIPALITY OF CARMIGNANO	974		35	2,756	0
MUNICIPALITY OF MONTEMURLO	1,050		6	4,212	1
MUNICIPALITY OF POGGIO A CAIANO	1,650		21	1,904	0
MUNICIPALITY OF PRATO	8,831		435	39,941	431
MUNICIPALITY OF VAIANO	777		16	1,766	7
MUNICIPALITY OF VERNIO	392		0	1,045	0
MUNICIPALITY OF ABETONE CUTIGLIANO	355		0	821	0
MUNICIPALITY OF MARLIANA	231		0	689	0
MUNICIPALITY OF MONTECATINI TERME	3,445		0	7,688	0
MUNICIPALITY OF PIEVE A NIEVOLE	968		0	1,685	4
MUNICIPALITY OF PESCIA	2,455		0	4,927	0
MUNICIPALITY OF RIGNANO SULL'ARNO	770		0	1,995	0
MUNICIPALITY OF SAMBUCA PISTOIESE	279		0	333	0
MUNICIPALITY OF SAN MARCELLO PITEGLIO	860		0	1,851	1
MUNICIPALITY OF UZZANO	212		0	970	0
MUNICIPALITY OF BARBERINO TAVARNELLE	1,281		0	2,919	0
MUNICIPALITY OF LAMPORECCHIO	18		0	0	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Controlled by Parent Companies	2	0	2	20	3
Marcafir S.c.p.A.	0		0	0	0
S.A.S. S.p.A.	0		0	0	0
Firenze Parcheggi S.p.A.	1		0	14	0
Casa S.p.A.	1		0	3	0
ATAF S.p.A.	0		0	0	0
Silfi S.p.A.	0		2	3	3

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Subsidiaries:	8,824	0	10,985	15,937	20,775
Revet S.p.A.	7,968		10,560	15,493	20,239
Programma Ambiente Apuane S.p.A.	830		289	350	0
Valcofert S.r.l.	26		136	94	536

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Associates:	9,228	0	1,909	10,552	2,359
IRMEL S.r.l.			1		5
REAL	9,172		1,908	10,540	2,292
VALDISIEVE	1		0	1	0
VETRO REVET	1		0	1	0
Al.Be S.r.l.	5		0	10	62
SEA Risorse S.p.A.	49		0	0	0

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
Related parties:	4	0	1,594	4	3,365
Le Soluzioni S.c.r.l.	4		1,594	4	3,365

Information on operating segments - IFRS 8

The Company operates in the sector of environmental hygiene, as well as collection, sweeping and disposal of municipal waste. For this reason, the data given above report the balance sheet and income statement data of the sole operating segment.

Fair value measurement hierarchy levels

In relation to financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires these values to be classified on the basis of a level hierarchy that reflects the significance of the inputs used in fair value measurement.

The following levels are distinguished:

- Level 1 - quoted prices in active markets for assets or liabilities subject to measurement;
- Level 2 - inputs other than quoted market prices within Level 1 that are observable either directly (prices) or indirectly (derived from prices) on the market;
- Level 3 - inputs that are not based on observable market data. "Assets measured at fair value" referred to in the table above are included in this level.

Breakdown of financial instruments by category of measurement applied

The table below reports a reconciliation between the classes of financial assets and liabilities as identified in the statement of financial position and the types of financial assets and liabilities identified based on the requirements of IFRS 7 - adopted in these Financial Statements.

<i>(In Euro units)</i>	Financial assets / liabilities measured at fair value	Assets measured at amortised cost	Liabilities measured at amortised cost	Total
CURRENT ASSETS				
Trade receivables		112,450,022		112,450,022
Current contract assets		18,450,295		18,450,295
Other current assets		6,089,321		6,089,321
Cash and cash equivalents		17,645,618		17,645,618
NON-CURRENT ASSETS				
Non-current financial assets		3,070,479		3,070,479
Equity investments in other companies		21,835,263		21,835,263
Non-current trade receivables		2,830,966		2,830,966
Non-current contract assets		20,362,755		20,362,755
Other non-current assets		1,401,354		1,401,354
CURRENT LIABILITIES				
Current financial liabilities			13,187,742	13,187,742
Current financial liabilities for rights of use			569,247	569,247

Trade payables			104,819,952	104,819,952
Other current liabilities			16,617,211	16,617,211
NON-CURRENT LIABILITIES				
Non-current financial liabilities			144,288,428	144,288,428
Non-current financial liabilities for rights of use			1,036,463	1,036,463
Non-current trade payables			3,400,000	3,400,000
Other non-current liabilities			4,027,523	4,027,523

It should be noted that there were no financial instruments measured at fair value at 31 December 2022. Trade receivables and payables have been measured at the book value that is believed to approximate their fair value.

Risks

The Company has designed specific policies for each of the following types of risk with the primary aim of setting out the strategic guidelines, organisational and management principles, macro processes and techniques required for their active management (where applicable):

- 1) Financial Risks (liquidity, exchange rate, interest rate);
- 2) Credit Risks;
- 3) Equity Risks;
- 4) Operational Risks.

The active management methods used by the Company for each type of risk are described below.

1. FINANCIAL RISKS:

a) Liquidity risk

Liquidity risk is the risk that the financial resources available to the company are not sufficient to meet the financial and commercial obligations according to the agreed terms and conditions and deadlines.

The procurement of financial resources is managed by the Administration, Finance and Control Department to optimise their use. In particular, the centralised management of financial flows makes it possible to allocate the available funds according to needs. The competent Department carefully monitors compliance with the financial covenants regulating the Bond issued in 2017, the Bond issued in 2022, the Capex Facility loan subscribed in 2022 and other medium and long-term loans on a regular basis. At 31 December 2022, all the covenants expressed in the form of a) Equity/EBITDA, b) Net financial position/EBITDA, c) EBITDA/Financial costs had been complied with.

The current and future financial position and the availability of appropriate bank credit facilities are monitored on an ongoing basis; no critical issues are reported in relation to covering short-term financial commitments.

In this regard, it should be noted that the profit margins expected for the next financial years as they can be inferred from the industrial plan for the 2022-2031 period, which was approved by Alia's Board of Directors on 22 June 2022 (updated on 26 September 2022), and updated for 2023 in the 2023 budget, which was approved by the Parent Company's Board of Directors on 20 December 2022, cash and cash equivalents outstanding as at 31 December 2022 and the available bank lines of credit, confirm the Company's ability to discharge the obligations they had undertaken in the short-term and to continue to operate as a going concern in the foreseeable future.

Furthermore, it should be noted that the Company held total revocable bank loans for Euro 54,975 thousand as at 31 December 2022, which had been used for an amount of Euro 9,950 thousand.

Should a temporary decrease occur in available funds due, to a lengthening of the time required to collect fees from customers/users the management will put in place the levers available in order to safeguard the Company's

financial structure and the commitments undertaken (including compliance with the financial parameters set out in the loan agreements in place), including the rescheduling of non-strategic investments.

Precisely with reference to investments, it should be noted that during 2022 the Company subscribed the new bond issue with a value of Euro 90 million and an additional line of financing (Capex Facility) for a maximum amount of Euro 135 million, aimed precisely at supporting the Company's infrastructure development, as well as refinancing part of the existing debt, including almost all the bond issued in the 2017 financial year.

It should also be noted that, following the completion of the merger by incorporation of Acqua Toscana S.p.A., Consiag S.p.A. and Publiservizi S.p.A. into Alia, the Group's capital structure has changed; in particular, given the nature of the merged companies as holding companies, Alia itself changed its nature from a purely industrial company to a mixed industrial and holding company.

Given the assets and liabilities contributed by the merged companies (mainly consisting of equity investments and cash and cash equivalents), no problems are reported for the 2023 financial year in relation to the measurement of the financial parameters envisaged by the bond issues in place and the Capex Facility; in any case, the Parent Company Alia has initiated appropriate discussions with the relevant banks to adjust the levels of financial parameters to the changed structure of the Parent Company Alia and the Group.

Furthermore, the most suitable forms of financing to meet Alia S.p.A.'s requirements and the best market conditions are sought through the relationships the Company maintains with the major Italian Banks.

The liquidity risk for Alia S.p.A. is therefore strongly mitigated by monitoring carried out by the Administration, Finance and Control Department on an ongoing basis.

Below are the maturities of payables with regard to liquidity risk:

Description	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial liabilities	13,756,989	145,092,181	232,709	159,081,879
Trade payables	104,819,952	3,400,000		108,219,952
Other payables	16,617,211	16,617,211		33,234,422
Total	135,194,152	165,109,392	232,709	300,536,253

Furthermore, reference should be made to the statement of Net Financial Position reported in note 20.

b) Exchange rate risk

Alia S.p.A. is not exposed to exchange rate risks since the Company operates at a national level.

c) Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from borrowings from banks. In light of the current trend in interest rates, the Company's risk management policy does not provide for the use of derivative contracts to hedge interest rate risks.

2. CREDIT RISK

Alia S.p.A.'s credit risk is substantially linked to the amount of trade receivables due from companies and private individuals who make use of waste disposal services under private law contracts and to unsettled items arising from the former TIA tariff management which accrued directly to general users, as well as to the amount receivable claimed from the Municipal Authorities in relation to the municipal waste management service following the adoption of the taxation scheme from 2012/2013.

In conducting its business, Alia is exposed to the risk that the debts may not be honoured at maturity, with consequent increase in their ageing, or insolvency in the case of debts which are involved in insolvency proceedings or which are in any case uncollectible.

The credit management policy and the credit rating assessment tools, as well as monitoring and recovery, are differentiated according to the different types of credit mentioned above.

The terms of payment generally applied to customers are those prescribed by the legislation or regulations in force or are in line with market standards; in case of non-payment, default interest will accrue at the rate set out in the contracts.

Accruals to the provision for bad debts precisely reflect the actual credit risks.

The Company generates most of its turnover from municipal governments, which, as described above, are being affected by the economic crisis due to the Covid-19 emergency. However, it is believed that this situation does not really jeopardise the solvency of the municipal governments but rather the deferral of the collection flows of the fees due to the Company over time.

Consequently, no significant effects on the Group's credit risk had been reported at the reporting date of these financial statements, although continuing monitoring activities on this issue on an ongoing basis.

3. EQUITY RISK

The Company's objectives in managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to any other stakeholder;
- to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may, among other things, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already highlighted in the previous paragraphs, can impact on the achievement of the objectives, in relation to the effectiveness and efficiency of company operations, performance levels, profitability and protecting resources from any loss.

The risk management process requires that the activities performed in each operational area are analysed and the main risk factors associated with achieving objectives are identified. Following their identification, risks are assessed qualitatively and quantitatively (in terms of intensity and probability of occurrence), thus allowing the most significant to be detected and selected and mitigation plans to be designed accordingly.

For more information on the issues relating to credit risk and liquidity risk, reference should be made to the report on operations.

Guarantees and commitments

The guarantees given are shown below:

1) surety guarantee for the final deposit in favour of the Toscana Centro Area Authority for an initial value of Euro 15,284 thousand issued by Reale Mutua Assicurazioni on 1 September 2020 for the period from 1 September 2020 to 1 September 2023;

2) bank guarantees as shown in the table below:

Bank	Type of Guarantee	Nominal Guarantee Amount (amounts in thousands of Euros) 2022
Intesa Sanpaolo	Surety in favour of the Municipality of Montespertoli for mitigation and restoration projects for the Casa Sartori Landfill	150

3) sureties of Euro 74,421 thousand to cover environmental risks related to landfills and plants under management, as requested by Municipalities, the Tuscany Regional Government, the Metropolitan City of Florence, as well as those issued to the Ministry of the Environment for registration in the Registry of Environmental Operators.

The Company has taken out policies against these sureties with leading insurance companies.

Finally, a first mortgage was registered on the Faltona composting plant (Municipal district of Borgo San Lorenzo) in favour of Monte dei Paschi Capital Service S.p.A. for an amount of Euro 17,700 thousand.

Main pending litigation

The information relating to the main pending litigation with risk of loss assessed as probable is reported below:

- INPS/INCA services litigation - In progress

This dispute (formerly Quadrifoglio) with INPS (Italian Social Security Institute) for irregularities in the payment of contributions (INCA dispute) and as to a claim of Euro 695,000 for the secondary liability of Quadrifoglio (now Alia) (subsidiary liability) in its capacity as contracting authority. The proceedings were then concluded with a final judgment against Quadrifoglio. However, to date, INPS has not yet taken steps to claim the sums and, therefore, it is considered necessary to maintain the provision on a prudential basis and until the debt becomes statute barred. An amount of Euro 695,000 was set aside as provision for risks.

- INPS litigation for remuneration differences for employees under fixed-term contracts - In progress

The third level of judgment is underway following the objections raised by INPS (Italian Social Security Institute) against the appeal ruling no. 134 of 21 February 2019. The dispute arose from the report no. 000432607/DDL of 9 February 2015, whereby INPS calculated unpaid contributions and additional sums owed by the Company for a total amount of Euro 120,319.00, following the assessment made about the use of benefits under Law 223/1991 (reduction in social security contributions for 12 months when a fixed-term employment relationship is established - to which 12 months must be added if the relationship is transformed into permanent employment as provided for in Article 8, paragraph 2 - or 18 months when the employment contract entered into from the beginning is for an indefinite term under Article 25, paragraph 9, in case of hiring from redundancy lists). Alia has filed a counter-appeal. It is confirmed that an amount of Euro 120,319 was set aside as provision for risks.

- VAT on TIA tariff - In progress

It is confirmed that a provision has been set aside, on a prudential basis, for Euro 15,600 for the residual disputes pending with some users for the refund of VAT on the TIA tariff, in the light of the recent case law guidelines.

- Litigation for lease rentals (former Publiambiente) - In progress

This dispute concerns the payment of lease rentals under an agreement for office use of the premises of former Publiambiente in Pistoia. During the term of the contract Publiambiente suspended the payment of the rental due to the uncertainty of the situation of the assignee (the original lessor or two financial companies subsequently involved in the proceedings). The lessor has obtained an order for payment of

Euro 50,325 for rentals from October 2013 to December 2014 invoiced by the lessor. To date, and until an assessment is conducted on the assignee, the proceedings are suspended (General Register RG no. 589/2015).

The property was released at the end of 2018. Requests for payment have also been submitted for rentals payable after the date of issue of the order for payment, i.e., after 2014. Since the release has not been formalized, there is a risk of claims for rentals even beyond 31 December 2018, until the natural expiry of the lease. During 2021 negotiations were started, which were aimed at settling the dispute out of court, with a possible draft agreement submitted to Alia's Board of Directors at the meeting held on 23 November 2021.

On 25 October 2022 the Court of Appeal of Rome concluded the appellate proceedings (General Register no. RG 7899/2019) against the termination order issued by the Court of Rome, which provided for the proceedings under General Register no. RG 30815/2018 to be settled. In its judgment no. 7478/2022 the Court of Appeal dismissed the appeal brought by Effeenne and, in terms of costs, Alia only was compensated for litigation costs, while ordering the appellant to reimburse expenses to the banks. The judgment can be appealed against before the Supreme Court and, if this is not done, the main proceedings shall be resumed on lease rentals before the Court of Pistoia (General Register no. RG 589/2015) after the relevant time limits have elapsed (six months from publication).

Given that the negotiations are still in progress, it is deemed appropriate to confirm the provision set aside to cover risks for a total of Euro 250,000.

- Labour litigation - In progress
- Claim for a higher rank submitted by an employee from formerly AER, who has now been hired by Alia. The proceedings, which were brought in 2019, are still in progress and it is therefore appropriate to maintain a provision of Euro 3,900.
- In 2022 too, the Company confirmed, in consideration of the numerous out-of-court claims Alia received from the staff working for a contractor, the provision of Euro 100,000, set aside on a prudential basis,

given the joint and several liability obligation between Customers and contractors under Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree 276/2003.

▪ Appeal against dismissal and request for reinstatement - Closed with favourable outcome

The proceedings, which were brought in 2020, were closed during 2021 under an order issued by the Court of Florence whereby the Court dismissed the appeal brought by the plaintiff. The order became final in 2022, thus becoming unenforceable.

▪ Breach of contract - In progress

The proceedings with a user who claims compensation for damage for the failure to perform the door-to-door service on a private road, which were reported in 2018, are still ongoing. It is then confirmed that the sum of Euro 1,900 has been set aside.

▪ Damage compensation for car deposit - In progress

Litigation arising from the merger of ESSEGIEMME into ASM and of the latter into Alia, which was reported in 2018, is still ongoing. A user of a parking area operated by ESSEGIEMME claims his car suffered damages at the Serraglio car park. It is then confirmed that the sum of Euro 6,028 has been set aside.

▪ Compensation for damage due to termination of works contracts - In progress

During 2020 a contractor brought a dispute, raising objections against the termination of all works contracts Alia had ordered against it. The provision set aside for these proceedings amounts to Euro 345,000, equal to the sum requested by the company as compensation for damage.

▪ Non-validated Waste Identification Forms (notices served in 2017) - Closed with favourable outcome

The proceedings were initiated by Alia, asking the Tuscany Regional Government - Environment and Energy Department to annul the reports issued by the latter for the use of non-validated Waste Identification Forms with a request for hearing under Article 18 of Law 689/1981.

In 2022 the Metropolitan City of Florence ordered the dismissal of all reports of investigation into and notification of administrative offences served on the Company in 2017 under the Director's Order no. 1383 of 7 June 2022.

▪ Incomplete Waste Identification Forms (notices served in 2019) - In progress

These are three reports that notify administrative offences concerning the transport of non-hazardous waste accompanied by forms with incomplete or inaccurate data in relation to the place where waste is produced or stored for a total fine of Euro 26,887. Defence briefs have been submitted while awaiting the decision of the administrative authority.

▪ Incorrect Waste Identification Forms (notices served in 2020) - In progress

Prior to the formal conclusion of preliminary investigations involving some of the Company's plants, which were started in 2016, 27 reports notifying administrative offences were served at the Company's headquarters on 23 March 2022 against several top managers due to breaches of Article 193, paragraph 1, of the Consolidated Environmental Text (TUA, *Testo Unico Ambientale*): transport of non-hazardous waste with waste identification form bearing inaccurate data notified for no. 50 forms; transport of non-hazardous waste without a form; waste loading and unloading register, including hazardous waste, kept incompletely. The amount of penalties notified amounted to Euro 3,069,000.00. This amount was fully stated in the provision for risks since the notices were served during the approval of the financial statements and there was no time for in-depth evaluations on the merits.

Another 5 reports were served for similar breaches of the Consolidated Environmental Text on 8 April 2022.

On 9 June 2022, another 22 reports notifying administrative offences were served for another four substantive cases under the Consolidated Environmental Text following the conclusion of investigations involving the Company's plants.

Therefore, the Company received a total of 55 reports, referring to 9 substantive cases, for a cumulative total of requested penalties (calculated in reduced measure) amounting to Euro 16,003,246.

The Company, in its capacity as co-obligor, filed appeals against each of the 55 reports, raising objections against them on both substantive and procedural issues.

Therefore, procedural objections were raised, which, if granted, might lead to the dismissal of the sanctioning proceedings, or to a sharp reduction in the sanctions applied. In particular, if the objection concerning cumulation of sanctions were applied, it would result in a total reset at Euro 268,033.40.

On the basis of these assessments, it can be considered that the capital risk profile for the Company has not increased with the notices served in April and June 2022, because the value of the sanctions applied for is offset by three circumstances: (i) all the reports have been appealed against and - therefore - at present there are still no final orders; (ii) both procedural and substantive objections have been raised; and (iii) any rejection of the objections in administrative proceedings may still be reviewed in trial litigation.

Therefore, it is deemed appropriate to leave the provision unchanged for an amount of Euro 3,069,000.

▪ Attribution of category and cadastral income for former Corliano landfill (Cerreto Guidi) - In progress

During 2020 the Revenue and Collection Agency served Alia with an appeal filed with the Supreme Court against the Tuscany Regional Tax Board's judgment concerning the objections raised against the category and cadastral income attributed by the tax authority to the landfill which had been previously operated by former company Publiambiente (now, Alia). It was deemed necessary to set aside a provision of Euro 3,960, equal to the sums that Alia might be required to pay if the appeal is granted.

▪ Waste-to-energy plant (formerly Q-tHermo): refusal of Single Authorisation - In progress

For the construction and operation of the waste-to-energy plant, Q-tHermo submitted a request for a single authorization to the Provincial Government of Florence in 2013, which required the completion of the environmental compatibility procedure ("EIA", Environmental Impact Assessment) and of that aimed at the release of the Integrated Environmental Authorization ("SEA", Single Environmental Authorisation). Following an appeal against the measures issued in 2014 and 2015, the Tuscany Regional Administrative Court, by judgment no. 1602/2016, declared that the EIA measure was lawful and annulled the SEA.

The Regional Administrative Court's decision was appealed against by Q-tHermo before the Council of State.

By judgment no. 3109/2018, the latter reaffirmed, albeit partially, the unlawfulness of the SEA decree.

By judgment no. 2165/2020, the Council of State confirmed judgment no. 3109/2018, rejecting the appeal for revocation submitted by Q-tHermo.

At the same time as the appeal for revocation was pending, Q-tHermo asked the Regional Government to restart the SEA procedure in the annulled part only. Following the Tuscany Regional Government's rejection of the request, Q-tHermo filed an appeal with the Regional Administrative Court by deed under General Register no. RG 607/2019. On 27 September 2019 Q-tHermo filed additional grounds which were followed by a brief and a reply dated 16 November 2019 and 26 November 2019, respectively.

Additional grounds were filed on 30 September 2022 against the regional government's order under file no. 7444/2022.

Following repeated motions for adjournment, a public hearing will be held on 9 May 2023 for the decision on the merits of the appeal and any subsequent deeds for additional grounds.

- Waste-to-energy plant (formerly Q-tHermo): amendments to the Regional Reclamation Plan - In progress

In 2019, Q-tHermo challenged, before the Regional Administrative Court, the acts of the Tuscany Regional Government aimed at including alternative solutions to the Case Passerini waste-to-energy plant in the sector planning. Q-tHermo filed the appeal under General Register RG no. 1292/2019 against the aforementioned measures. A statement of reply was filed in court on 28 September 2022 and a motion for adjournment was filed on 16 September 2022. The hearing was postponed to 9 May 2023.

- Fatal accident

At the end of 2018 the first-instance criminal sentence was filed, which ordered Alia, jointly and severally with accused persons, to pay a total amount of Euro 300,000.00 in favour of the heirs of the victim of the accident that occurred at the Maciste collection site. During the course of the year, despite initial resistance, Generali compensated for the damage in full, releasing Alia from any civil liability both to the heirs and to INAIL (Italian Institute for Insurance against Accidents at Work).

Since the criminal proceedings are continuing, given that the three defendants have lodged an appeal before the Florence Court of Appeal against the final judgment no. 1140/2018 in first-instance proceedings. The hearing for the discussion of the appeal is scheduled on 18 May 2023. Therefore, it is considered that the provision should be maintained unchanged, for an amount of Euro 273,482, from

which to sustain such costs for the appellate proceedings in the event that Alia should be required to pay them.

- Public Prosecutor's Office investigation involving the Company's plants

In April 2022 a notice was served, which notified the conclusion of the preliminary investigations that had been started in May 2016, on the part of the Public Prosecutor's Office of Florence in relation to some of the plants used by Alia and many of the activities carried out (from the production of soil improvers to biogas, from waste management to the operation of a site undergoing reclamation).

The notice of conclusion of investigations reported a larger number of defendants involved.

The legal counsels responsible for the defendants' defence, notwithstanding the uncertainty of the outcome, believe that, in the case of referral for trial, they will be able to assess the probability of success for the more substantial findings and to minimise the formal or minor findings.

This expectation is also based on the subsequent revocation, which took place on 7 June 2022, of the seizure of some areas within the San Donnino Technological Hub and its return free of any constraints (during the preventive seizure, requirements were imposed on the Operator, which was permitted to continue to carry out recovery operations in the seized areas subject to providing the ARPAT (regional Environmental Protection Agency) department in Florence with a weekly schedule regarding the waste management activities in progress).

At present, no liability has been brought against Alia pursuant to Legislative Decree 231/2001.

A provision of Euro 115,551.00 was set aside to cover the expenses connected with the proceedings, given the obligation to cover legal fees for its managers and employees involved in proceedings due to the work performed.

- Claim for fees from self-employment contract (OUT-OF-COURT)

The heir of a former collaborator claimed the payment of four monthly salaries for the year 2017, in addition to the premium envisaged in the self-employment contract, believing that the balance of these fees had not been paid in full following the notice of termination of the collaboration relationship due to

the worker's serious and sudden disability. The claim, which initially amounted to about Euro 56,000, was reduced to an amount of about Euro 30,000 following the rebuttal on the part of the legal counsel to the Company.

As a matter of prudence, provision has been made for an amount equal to half of the decreased demand, and provision is confirmed for the year 2022 as well.

The amounts set aside as provisions for risks in relation to the disputes described above have been regarded as adequate to cover the related contingent liabilities, including on the basis of the evaluations made by the third-party legal counsels appointed by the Company.

Significant events after the reporting period

Merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia

As repeatedly noted in this document, on 26 January 2023 a deed was signed for the merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. (hereinafter the "Merged Companies") by incorporation into Alia Servizi Ambientali S.p.A., with effect from 1 February 2023.

The Merged Companies, as well as Alia, are directly or indirectly owned or controlled by local authorities; they carry out their activities, including through investees, in the sector of utilities and specifically in energy, waste and environmental management, and the water cycle, providing local public services in the Tuscany Region.

The growing concentration of sales operators with the consequent development of competition and the minimum size required to compete has suggested to Alia and the Merged Companies to consider the opportunity to build an "industrial solution" that avoids the risk of gradual loss of control in local areas and consequently preserves the presence of local authorities in the management of utilities to the community and the safeguarding of employment levels. Therefore, with a view to reorganising the management of public services, the companies that participated in the merger have carried out a business combination in order to give rise to a unified project on the industrial and corporate front, having as its

main objective the sharing of strategic lines of growth and the activation of synergies in commercial, industrial and operational terms.

Specifically, the Parties intend to pursue the following objectives through the Business Combination:

- a) with regard to the users of the services provided: a different and better management of the utilities companies such as to cause (i) an improvement in the quality of the services, at the same time as (ii) a reduction in the related tariffs;
- b) with regard to environmental sustainability: (i) acceleration of the ecological transition of the Tuscany Region towards circular economy processes, for greater efficiency in the use of resources and health protection, including and above all through greater investments in plants and technologies that are functional to this purpose; (ii) 30% reduction in climate-changing gas emissions on the part of companies by 2030, including through the adoption of new production processes, the use of vehicles and materials with lower environmental impact, the recovery of resources, and the increase in renewable energy in energy consumption;
- c) with respect to economy: (i) an increase in investments to be made through local companies, (ii) an increase in employment both quantitatively and qualitatively, and (iii) the attraction of new investors;
- d) with respect to local and non-local ownership of utility companies: strengthening the role of local public entities in holding shares, so as to enable the pursuit of greater interests related to the local areas that are served, with a view to what is stated in (a), (b) and (c) above.

The merger constitutes the first milestone in establishing the Tuscan Multiutility for the management of local public services.

Following the completion of the merger, the Merged Companies, given their previous role as holding companies, contributed stakes in businesses operating in the utility sector (water, electricity and gas) to the merging company Alia, in addition to the liquid assets they held:

- Publiservizi S.p.A.: Publiacqua S.p.A. 0.4% (integrated water service management), Toscana Energia 10.4% (gas distribution), Acque S.p.A. 19.3% (integrated water service management).
- Acqua Toscana S.p.A.: Publiacqua S.p.A. 53.2% (integrated water service management).

- Consiag S.p.A.: Estra 39.6% (electricity and gas).

Furthermore, the share capital of the merging company Alia had the following composition following the effective date of the merger:

- Municipal Government of Florence: 37.1%
- Municipal Government of Prato: 18.1%
- Municipal Government of Pistoia 5.5%

Subsequently, a procedure was started on 27 January 2023, which was aimed at the capital increase of Euro 1.2 billion, dedicated to the contribution of the investments held by the municipal governments.

For the sake of completeness, it should be noted that the merging company Alia has granted an option to the shareholders of a merged company for the repurchase of assets in exchange for alternatively cash or shares in Alia to be exercised within a fixed time horizon.

Other significant events

- **31 January 2023:** two concession decrees were published for the projects submitted under Legislative Decree no. 397 of 28 September 2021, whereby Alia was awarded the tender for the textile industry hub (for an amount recognised for Euro 2,020,597.82) and for the WEEE project (for an amount recognised for Euro 3,578,876,43).
- **24 February 2023:** the shareholders' meeting of Alia Servizi Ambientali - Multiutility Toscana passed a resolution to bring the number of the members of the Board of Directors to 11.

Information required by Article 1, paragraph 125, of Law 124 of 4 August 2017

By referring to the information reported in the National State Aid Register (*Registro Nazionale Aiuti di Stato*) of the Ministry of Economic Development, it is noted that the company received the following grants from public entities or bodies during the year under Law 124/2017:

ENTITY	GRANT	COLLECTION DATE	AMOUNTED COLLECTED
TUSCANY REGION	TENDER GRANT FOR WASTE REDUCTION - FORMER ASM	04/02/2022	€ 386,868.66
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/01/2022	€ 11,562.22
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/01/2022	€ 17,583.19
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	28/02/2022	€ 13,700.24
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/03/2022	€ 11,426.29
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	02/05/2022	€ 4,584.74
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/05/2022	€ 10,670.96
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/06/2022	€ 10,408.42
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	01/08/2022	€ 10,408.42
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/08/2022	€ 10,408.42
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/09/2022	€ 10,096.66
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	31/10/2022	€ 10,096.66
GESTORE SERVIZI ENERGETICI SPA	INCENTIVE RATE - PV AGREEMENT	30/11/2022	€ 10,096.66
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	28/02/2022	€ 19,227.05
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/03/2022	€ 2,508.19
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	29/04/2022	€ 6,805.40
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/05/2022	€ 8,145.45
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	30/06/2022	€ 12,389.36
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	29/07/2022	€ 9,691.57
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	31/08/2022	€ 7,656.49
GESTORE SERVIZI ENERGETICI SPA	GRIN (Incentive Payment Management) AGREEMENT_000479	30/09/2022	€ 7,132.45
ATO TOSCANA CENTRO	COVID-19 GRANT	14/09/2022	€ 505,692.69
TOTAL			€ 1,097,160.19

Allocation of the profit for the year

Dear Shareholders, we invite you to approve your Company's financial statements for the financial year ended 31 December 2022, equal to Euro 20,649,537, as follows:

- 5% corresponding to Euro 1,032,477.00, to legal reserve;
- the additional amount of Euro 6,000,000.00 will be distributed as a dividend to shareholders in an amount equal to their share in profits;

- the remaining amount of the net profit for the year, amounting to Euro 13,617,060.00, will be set aside as a reserve for the time being and subsequently distributed in favour of the shareholders provided that the Company's reference Banks (specifically Unicredit and Intesa Sanpaolo) and the bondholders give their consent to the removal, or a waiver, of the existing contractual restrictions on the outstanding credit facilities, which limit the Company's ability to distribute dividends and reserves in favor of the shareholders. To this amount of Euro 13,617,060.00 will be added the additional amount of Euro 8,382,940.00 drawn from distributable reserves (specifically from the Extraordinary Reserve item) up to the total amount of Euro 22,000,000.00, the distribution of which will be subject to the same conditions.

Therefore, the shareholders are invited to approve the above proposal for the allocation of the profit for the year for a total amount of Euro 28,000,000.00, it being understood that the approval of the proposal referred to in point 3 will grant the Board of Directors the power to distribute to the shareholders the maximum distributable amount, up to a sum of Euro 22,000,000.00, once the Company's reference banks (Unicredit and Intesa Sanpaolo) and the bondholders have given their consent to the removal, or a waiver, of the existing contractual restrictions on the existing credit facilities, which limit the Company's power to distribute dividends and reserves in favour of the shareholders.

At the shareholders' meeting called to pass a resolution, among other things, on the allocation of the profit for the year, we also submit a proposal to the shareholders' meeting for further distribution of distributable reserves, drawn partly from the Company's financial statements, partly from the financial statements of the merged companies within the scope of the merger completed on 1 February, for a tranche in the range of Euro 22,000,000 - 25,000,000 against a total available amount of reserves capable of allowing such distribution, as resulting from the financial statements of both Alia Servizi Ambientali S p.A. and of the merged companies at 31 December 2022. This additional distribution of reserves is subject to the following conditions precedent:

- a) the consent of the Company's reference Banks (Unicredit and Intesa Sanpaolo) and bondholders to the removal, or a waiver, of existing contractual restrictions on existing credit facilities, which limit the

Company's ability to distribute dividends and reserves to shareholders, so that an amount can be distributed within the aforementioned range of Euro 22,000,000 to Euro 25,000,000;

b) substantial advances in the Multiutility project.

Therefore, the shareholders are invited to approve the above proposal for the distribution of reserves, up to the maximum amount of Euro 28,000,000.00, it being understood that the approval of this proposal will grant the Board of Directors the power to distribute an additional tranche of between Euro 22 - 25 million to the shareholders, once both of the conditions in letters a) and b) above have been met.

Authorisation for publication

This document was approved by the Alia Servizi Ambientali's Board of Directors meeting held on 29 March 2023 and was published on 11 May 2023 upon authorisation by the Chairman and Chief Executive Officer.

**For the Board of Directors
The Chairman
Nicola Ciolini**

**The Chief Executive Officer
Alberto Irace**

Certification of the Financial Statements in accordance with Article 81-ter of Consob regulation no.11971 of 14 May 1999, as amended and supplemented

1. The undersigned, Alberto Irace, in his capacity as Chief Executive Officer, and Francesco Natali, in his capacity as Financial Reporting Manager, of Alia Servizi Ambientali S.p.A. hereby certify, in also taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business (while also taking account of any possible change that occurred during the financial year) and
- the actual application of the administrative and accounting procedures for the preparation of the separate financial statements at 31 December 2022.

2. No significant issues have been reported in this regard.

3. It is also certified that the financial statements:

- a) have been prepared in compliance with the applicable International Accounting Standards recognised by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament of 19 July 2002;
- b) correspond to the results stated in the accounting books and records;
- c) are suitable to provide a true and fair view of the issuer’s financial position, results of operations and cash flows, together with the description of the main risks and uncertainties to which they are exposed.

Florence, 29 March 2023

Chief Executive Officer
(Signed)
.....

Financial Reporting Manager
(Signed)
.....

**Independent Auditors' Report on the Financial Statements
at 31 December 2022**



Independent auditor's report

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

Alia Servizi Ambientali SpA

Financial statements as of 31 December 2022



Independent auditor's report

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

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 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 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



Key Audit Matters

Auditing procedures performed in response to key audit matters

Revenues from tariff components related to amortisation and depreciation (“AMM”)

Notes to the financial statements as of 31 December 2022: note 23 “Revenues”

The Company recognised in the financial statements as of 31 December 2022 revenues from the integrated waste management for an amount of Euro 336.4 million, including revenues from the 2021 and 2022 AMM tariff component for a total of Euro 35,3 million, representing the remuneration of the amortisation and depreciation allowances incurred by the Company in relation to services provided under concession.

In view of the significance of this item and the use of estimates by the Company Management to verify the applicability, by analogy, of the provisions of “IAS 8 – Accounting policies, changes in accounting estimates and errors”, and of “IFRS 15 – Revenue from contracts with customers” adopted by the European Union, we paid special attention to the evaluations made by the directors.

The estimates made by the directors mainly concerned the verification of the existence of the Company’s contractual right, as well as the assessment of the probability of receiving such variable consideration.

The abovementioned analyses were performed by the directors also with the support of external lawyers and the relevant trade association.

We performed an understanding and evaluation of the procedure adopted by the Company for the purposes of determining and recognising revenues, with specific reference to revenues from the AMM tariff component.

We examined the relevant regulatory framework, including the procedural steps required by the applicable rules and regulations for the purposes of setting the tariff according to the Waste Tariff Method.

To this end, we considered the findings of the analysis of the legal/regulatory aspects carried out by the Company’s management, and obtained confirmation by the PwC network lawyers of the conclusions reached by the professionals involved by the Company on the rights it holds.

Moreover, we performed further tests of validity about the accuracy of the revenues examined, in addition to amortisation and depreciation costs.

Our checks also included the analysis of the notes to the separate financial statements in order to evaluate the accuracy and completeness of the related disclosures.

Provisions for post-closure operation of landfills

Notes to the financial statements as of 31 December 2022: note 16 “Provisions for risks and charges”

The provisions for post-closure operation of company-owned landfills recognised within the liabilities of the statement of financial position of the separate financial statements at 31 December 2022 amounted to Euro 26.1 million, which represented 3.7% of the Company’s liabilities.

Such amount was determined by the directors on the basis of the applicable accounting standards, in particular in accordance with “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union and with the current provisions of law (Legislative Decree 36/2003) supported by external independent professionals for estimating the expected cash flows related to such provision.

Given the significance of the amounts under analysis and the use of estimates made by management to verify the compliance with the requirements under “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union, we paid special attention to reviewing the liabilities at issue.

We carried out an understanding and evaluation of the procedure adopted by the Company for the determination of the accruals to the provisions for post-closure operation of landfills.

We verified that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003.

Moreover, we obtained and analysed, through discussions with the Company’s personnel, the external appraisal reports used by management to determine the above-mentioned provisions and then we verified that the data contained in the reports had been adequately used for the determination of the accruals through the discounting process under “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union.

We also verified the reasonableness and adequacy of the discount rate used by the directors to calculate the amount of the provision recognised in the financial statements.

Finally, we verified the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the separate financial statements.

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

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

The directors are responsible for assessing the Company’s ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements,



the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and



significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

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

On 16 February 2017 and 20 December 2017 respectively, the shareholders of Alia Servizi Ambientali SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

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

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

Report on Compliance with other Laws and Regulations

Opinion 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 Alia Servizi Ambientali SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Alia Servizi Ambientali SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2022 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, 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.

Florence, 11 May 2023

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.