



CONSOLIDATED FINANCIAL STATEMENTS 2022

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Corporate Bodies

Board of Directors (1)

Chairman Nicola Ciolini (2)
Vice Chairman Claudio Toni (3)
Chief Executive Officer 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 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.
- 2) Presentation of the Consolidated Financial Statements at 31 December 2022.
- 3) 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

Alia Servizi Ambientali S.p.A.

Registered office: Florence, Via Baccio da Montelupo 52

Share Capital: Euro 359,219,429 fully paid-up

Tax Code No. 04855090488

Florence Register of Companies No. 04855090488

Florence Economic and Administrative Register (REA) No. 491894

Report on Operations

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

Introduction

The financial year ended 31 December 2022 - the fifth year of managing the concession of ATO Toscana Centro [Integrated Municipal Waste Management Authority], (hereinafter referred to as “ATO TC”) - was a significant phase for the Alia Servizi Ambientali Group (hereinafter also referred to as the “Alia Group” or “Group”), which was mainly characterised by i) strengthening the transformations of services and shifting to digitisation, ii) establishing the technical and digital conditions enabling the transition to a fee tariff for the member Municipalities, iii) continuing works on plant engineering projects, and iv) achieving major milestones in the process of creating Multiutility Toscana.

With reference to the latter project, it should be noted that on 26 January 2023 the deed was signed for the merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia Servizi Ambientali S.p.A., which will take effect as from 1 February 2023.

Alia has over time adopted an industrial vision directed at exploiting the waste collected and supported by substantial investments concerning systems of making users assume responsibility, a method of automated collection and the creation of chains of permanent industrial recycling plants. The industrial strategy considers the construction of recycling chains through high level business partnerships that would take the place of the purely commercial pattern of placing waste with external industrial concerns, which, over the years, has not managed to provide us with the certainty that our waste would be received.

The main activities in 2022 were carried out in full accordance with the development drivers under the Business Plan:

- there was an improvement of efficiency in the collection system aimed at maximising the qualitative and quantitative levels of waste sorting;
- the treatment capacity was maximised in relation to the residual fraction and waste fractions were minimised;
- downstream integration was put in place across the recovery and disposal chain while enhancing the value of energy sales and material recovery; in particular, 2022 saw the full operation of the work sites for the construction of the biodigesters in Casa Sartori and Peccioli;
- preparatory work was performed for the application of the fee tariff in the process of being introduced, in a gradual manner throughout the country, as from 2023;
- cross-sector digitisation processes were put in place from collection to after-collection phase, until the decisive phase of contacting end users.

It should be noted that, as from 2017, with the completion of a bond issue listed on financial markets, the Parent Company Alia Servizi Ambientali S.p.A. (hereinafter also referred to as “Alia”) is qualified as a PIE [Public Interest Entity] (under Article 16 of Legislative Decree 39/2010, as amended and supplemented) and is required to comply with the relevant regulatory framework for the new subjective legal status. In accounting terms, the Parent Company has adopted the international accounting standards (IFRS) with effect from the financial statements at 31 December 2017.

The financial data set out and commented on in the following pages have been prepared on the basis of the consolidated financial statements at 31 December 2022 to which reference should be made, since, in accordance with current legislation, it has been considered more appropriate to prepare a single report on operations and therefore to provide an analysis of the economic and financial performance that is regarded as more significant, which indeed consists of consolidated data.

Consolidation area and methods

Below are the equity investments held (directly and indirectly) by Parent Company Alia:

Subsidiaries	VALCOFERT S.r.l.	83.33%
	PROGRAMMA AMBIENTE APUANE S.p.A.	80.00%
	REVET S.p.A.	55.50%
Associates and Joint ventures	REAL S.r.l.	50.10%
	ALBE S.r.l.	50.00%
	IRMEL S.r.l.	36.00%
	Vetro Revet S.r.l.	27.20%
	Valdisieve S.C.R.L.	25.00%
	SEA RISORSE S.p.A.	24.00%
	TOSCANA ENERGIA S.p.A.	20.61%

In these Consolidated Financial Statements, the Alia Group consolidates the following operating companies on a line-by-line basis:

- (i) **Revet S.p.A.** owns the industrial hub for the recycling of plastics, glass, aluminium, tinplate and poly laminate materials of the Tuscany region, the purpose of which is to maximise the value of these materials to the benefit of the person delivering the waste, i.e. the informed citizen. It is, in fact, a HUB of materials ready to be reused in the industrial chains.
- (ii) **Programma Ambiente Apuane S.p.A.** operates a landfill for non-hazardous inert waste and asbestos cement products.
- (iii) **Valcofert S.r.l.** operates in the sector of products for soil and agriculture, and produces and sells soil improvers, fertilizers and compost in general, deriving from organic matrices coming from waste sorting.

The associates and joint ventures summarised below have been consolidated according to the equity method:

- (i) **REAL S.r.l.** was established in partnership with ReLife S.p.A. in 2019 and operates in the field of sorting and exploiting waste paper and cellulose packaging for re cycling in paper mills.
- (ii) **ALBE S.r.l.** was established between Alia S.p.A. (50%) and Belvedere S.p.A. (50%) in 2018 for the design, construction and operation of an anaerobic digestion plant for the production of biomethane and the treatment of organic and green fractions at the Legoli plant site in the Municipal district of Peccioli.
- (iii) **Irmel S.r.l.** operates in the recovery and recycling of waste from building demolition.
- (iv) **Vetro Revet S.r.l.** is an associated company to the Parent Company, which is 49% directly owned by subsidiary Revet S.p.A.. It operates in the sorting and transformation of glass in order to produce raw material for the glassware recycling chain.
- (v) **Valdisieve Società Consortile** is a holding company that is owned at 25% by Alia, which, in turn, holds investments in several companies operating in the waste sector.

- (vi) **SEA Risorse S.p.A.** operates in the waste sector. Its business includes the collection and transport of sorted waste, the operation of waste-to-energy plants, the recovery of industrial waste and the maintenance of public green areas.
- (vii) **Toscana Energia S.p.A.** is a company that is part of the Italgas Group, which is the leading distributor of natural gas in Italy and which operates a network of more than 8 thousand kilometres through which it distributes more than 1.1 billion cubic meters of gas to about 800 thousand users.

On 16 December 2021 the Shareholders' Meetings of the merged company and of the Parent Company approved the plan for the merger by incorporation of Programma Ambiente S.p.A., the accounting effects of which began to apply from 1 January 2022.

On 16 May 2022 Alia Servizi Ambientali S.p.A. formalised the acquisition of the shareholding that Sienambiente S.p.A. held in Revet S.p.A., equal to 4.5% of the share capital. As a result of the acquisition, Alia's investment in Revet increased from 51% to 55.50%.

In executing the capital increase approved by Alia Servizi Ambientali S.p.A. on 20 October 2022, on 30 December 2022:

- the Municipality of Florence fully subscribed to the amount offered by the company - for a nominal value of Euro 55,062,727.00, plus a premium of Euro 111,877,463.00 - by contributing 30,134,618 ordinary shares relating to Toscana Energia S.p.A. to Alia Servizi Ambientali S.p.A.;
- the Municipality of Pistoia fully subscribed to the amount offered by the company - for a nominal value of Euro 4,351,183.00, plus a premium of Euro 8,840,815.00 - by contributing 1,150,321 ordinary shares relating to Publiacqua S.p.A. to Alia Servizi Ambientali S.p.A..

For consolidation purposes, we have used the subsidiaries' financial statements at 31 December 2022 prepared by their respective Boards of Directors for approval on the part of the Shareholders' Meeting. The consolidated financial statements at 31 December 2022 show a profit of Euro 22,431,250, after having recorded taxes equal to Euro 7,718,599. The final result differs from the algebraic sum of the results of the companies included in the consolidation area as a result of the application of the accounting standards that govern the preparation of the consolidated financial statements regarding the valuation of equity investments.

For the breakdowns of the items making up the Balance Sheet and Income Statement in the Group's Consolidated Financial Statements, reference should be made to the specific schedules of the Financial Statements reported in the Explanatory Notes.

Legal framework of the Parent Company and corporate obligations

The qualification of Parent Company as a PIE (Public Interest Entity) submits it to compliance with the following rules:

- consolidated act of the provisions on financial intermediation - Consolidated Finance Act (Legislative Decree 58/1998), with the limitations on the interim reporting obligations laid down in Article 83 of the Issuers' Regulation;
- provisions relating to the Financial Reporting Manager under Legislative Decree 262/2005;
- provisions governing disclosures of non-financial information under Legislative Decree 254/2016;
- provisions of Regulation (EU) No. 596/2014 "Market Abuse Regulation" (MAR) regarding insider trading;
- compliance with the Transparency Directive (Directive 2013/50/EU) on mandatory disclosures of listed companies.

The Shareholders' Meeting held on 24 January 2018 approved an amendment to the Articles of Association, reshaping the corporate purpose in accordance with the new legal status of Concessionaire, as well as the appointment of the Financial Reporting Manager in accordance with Legislative Decree 262/2005.

Reference regulatory provisions

As a result of having been awarded the integrated waste management Concession by ATO TC following the competitive tender launched by the granting authority, Alia Servizi Ambientali S.p.A. is qualified as a "public service concessionaire", following a competitive tender, pursuant to and for the purposes of the combined provisions of Article 1, paragraph 2.d and Article 3, paragraph 1.q, of Legislative Decree 50 of 18 April 2016, as it is subject to public disclosure obligations only for "public works [...] that are strictly functional to the operation of the service".

In addition to the framework outlined above, it is worth noting that: (i) in accordance with Section 3 of the "SC" (Service Contract), the concession term granted to the concessionaire is equal to twenty years, running from 31 August 2017, the date of execution of the contract; (ii) the territorial scope of the service concession - as defined in Section 9 of the SC - includes the institutional territory of municipal authorities that are not members of Alia Servizi Ambientali S.p.A.; (iii) the articles of association of Alia Servizi Ambientali S.p.A. do not provide for restrictions on holding or maintaining a public shareholding in the share capital; (iv) the mechanism for the remuneration of the Service Contract was changed as from 2020 by including the integrated waste service within the scope of regulation by the Italian Regulatory Authority for Energy, Networks and Environment, ARERA [*Autorità per la Regolazione per Energia Reti e Ambiente*], in particular by enacting the regulations specified at the bottom of these notes; as a result, ATO TC's General Meeting passed resolution 17 of 28 September 2020, concerning the "Full approval of the ARERA Tariff Method for integrated waste management service (WTM, Waste Tariff Method) [MTR, *Metodo Tariffario Rifiuti*] under the concession scheme".

The main measures for the regulation of the integrated waste service are reported below:

RESOLUTION nos. 713, 714 and 715/2018/RIF whereby the regulation of the waste sector by ARERA has begun.

RESOLUTION no. 443/2019, which sets out the new waste tariff method (WTM), valid for the first regulatory period from 2018 to 2021.

RESOLUTION no. 444/2019/R/RIF, relating to provisions on transparency in municipal and similar waste management service.

RESOLUTION 3 MARCH 2020 no. 57/2020/R/RIF: this measure provides, with reference to economic and financial plans and the fees for the integrated waste service, or for each service that constitutes a management activity, for a procedure to be started, aimed at establishing whether the acts, data and documentation submitted in accordance with resolution no. 443/2019/R/RIF comply with the regulations.

RESOLUTION no. 362/2020/R/RIF concerning the "start of procedures for the preparation of service contract forms for the regulation of relations between granting authorities and operators of the integrated waste management service, including sorted, urban and similar waste, or one of the services that make it up".

RESOLUTION 24 November 2020 no. 493/2020/R/RIF: the measure updates the WTM (for the purposes of preparing the EFP [Economic and Financial Plan] for 2021), with particular reference to the adjustment to monetary values according to the provisions already laid down in Resolution no. 443/2019/R/RIF, as well as extends some of the rights and powers granted by the Authority by Resolution no. 238/2020/R/RIF until 2021 in order to cope with the COVID-19 epidemiological emergency.

RESOLUTION 3 AUGUST 2021 no. 363/2021/R/RIF: this measure, which approved the waste tariff method (WTM-2) for the second regulatory period 2022-2025, sets out the criteria to recognise efficient operating and investment costs for the period 2022-2025.

RESOLUTION 3 AUGUST 2021 no. 364/2021/R/RIF: concerning procedures started to determine efficient costs of waste collection, transport, sorting and any other preliminary operation pursuant to Article 222, paragraph 2, of Legislative Decree 152 of 3 April 2006.

RESOLUTION 26 OCTOBER 2021 no. 459/2021/R/RIF: this measure sets out certain monetary and financial values in line with the provisions that have already been prescribed by the WTM, to be used for the calculation of the recognised costs referred to in Article 7 of WTM-2.

RESOLUTION 18 JANUARY 2022 no. 15/2022/R/RIF: this measure adopts the consolidated act for the regulation of the quality of the municipal waste management service (TQRIF), providing for a set of contractual and technical quality requirements, which are minimum and standard for any and all

operations, accompanied by quality indicators and related general standards differentiated by regulatory schemes, as identified in relation to the actual initial level of quality guaranteed to users in the various operations.

RESOLUTION 24 FEBRUARY 2022 no. 68/2022/R/RIF: evaluation of the financial parameters underlying the calculation of the costs of capital use in the implementation of the waste tariff method (WTM-2), on the basis of the criteria set out in the Integrated Text on WACC (TIWACC) referred to in resolution no. 614/2021/R/COM.

CONSULTATION DOCUMENT: 643/2022/R/RIF: it falls within the scope of the proceedings brought by the Authority under resolutions 363/2021/R/RIF and 271/2022/R/RIF - the Italian Regulatory Authority for Energy, Networks and Environment, ARERA [*Autorità di Regolazione per Energia Reti e Ambiente*] (hereinafter: Authority) outlines its guidelines on the implementation of equalisation mechanisms, which are aimed, on the one hand, at both the reduction and management of accidentally fished waste, referred to in Law 60/2022, and, on the other hand, at promoting compliance with the waste hierarchy, complementing the provisions of the "Waste tariff method for the second regulatory period 2022-2025" (hereinafter: WTM-2).

RESOLUTION 27 DECEMBER 2022 no. 732/2022/R/RIF: resumption of the proceedings initiated by authority resolution no. 413/2022/R/RIF concerning the definition of technical and qualitative standards for the performance of disposal and recovery activities and consolidating them with the proceedings under Authority resolution no. 364/2021/R/RIF aimed at determining the efficient costs of separate collection, transport, sorting operations and any other preliminary operation.

RESOLUTION 21 FEBRUARY 2023 no. 62/2023/R/RIF whereby the Authority initiates proceedings to set out the rules and procedures for the biennial update provided for in Articles 7 and 8 of resolution no. 363/2021/R/RIF for the purpose of redetermining the municipal waste management service tariffs for the years 2024 and 2025.

By Resolution no. 17/2020 ATO Toscana Centro ordered to incorporate the ARERA WTM into the concession, acknowledging that this is an 'unforeseeable subsequent circumstance', pursuant to Article 175 of the Code, and as such is likely to amend the provisions of the concession agreement governing the tariff mechanisms and the determination of the consideration; the same rationale was behind the amendments made to the service contract to bring it into line with the regulatory and contractual mechanisms, which are consequent and connected to the WTM as per ARERA Resolution no. 443 of 2019. Subsequently, the Parties formalised the amendments to be made thereto by Alia Board of Directors' resolution no. 11/21 and the ATO General Meeting's resolution no. 7/2021.

On 6 October 2021 (File no. 28183) ATO and Alia Servizi Ambientali S.p.A. executed the additions to the service contract. By Resolution no. 22/2021 of 30 December 2021, ATO approved the criteria for allocating the efficient costs referred to in the WTM-2 to each tariff areas.

ATO approved the 2022-2025 EFPs for each tariff area by Resolution no. 07/2022 of 23 May 2022.

Consolidated income statement and statement of financial position highlights

The tables below summarise the Alia Group's consolidated Income Statement and Statement of Financial Position. The summary income statement figures can be easily reconciled with those shown in the schedules of financial statements.

The alternative performance indicators shown in this document include both the financial data required by IFRS and metrics, albeit partly derived therefrom, which are not prescribed by IFRS (Non-GAAP Measures). These figures are shown in order to allow a better assessment of the Group's performance of operations and should not be considered as alternative to those provided for by IFRS. In particular:

- i) EBITDA - Earnings Before Interests, Taxes, Depreciation and Amortization or Gross Operating Margin, consists of EBIT before depreciation, amortisation and provisions
- ii) EBIT - Earnings Before Interest and Taxes coincides with the operating result reported in the income statement

- iii) EBT - Earnings Before Taxes coincides with the profit before tax reported in the income statement.

In general terms, the interim results shown in this report are not defined as accounting measures under IFRS and, therefore, the criteria used to determine these interim results might not be consistent with those adopted by other companies.

Income Statement				
€/Mil.	2022	2021	Change	% Change
Revenues from sales and services	411.5	371.7	39.8	10.7%
Change in inventories of finished products, semi-finished products and work in progress	1.1	0.0	1.1	>100%
Other revenues	7.6	7.3	0.3	4.0%
Other income	6.1	3.0	3.2	>100%
Consumption of raw materials and consumables	-24.7	-19.9	-4.8	24.1%
Costs for services	-211.0	-195.6	-15.4	7.9%
Labour costs	-121.3	-120.2	-1.0	0.9%
Other operating expenses	-4.0	-3.5	-0.5	14.3%
EBITDA	65.4	42.8	22.6	52.9%
Amortisation, depreciation, provisions and write-downs	-31.5	-27.4	-4.1	15.1%
EBIT	33.9	15.4	18.5	>100%
Write-downs and reinstatements of financial assets and liabilities	0.0	-0.2	0.1	-84.6%
Share of profits / (losses) of Joint Ventures and associates	1.2	1.5	-0.4	-23.6%
Financial income	2.1	0.5	1.6	>100%
Financial costs	-7.0	-3.4	-3.6	>100%
EBT	30.1	13.9	16.3	>100%
Taxes	-7.7	-3.9	-3.8	97.0%
Profit / (loss) for the year	22.4	9.9	12.5	>100%

Consolidated Income Statement

In 2022 revenues from sales showed an increase of Euro 39.8 million (+10.7%) compared to the previous year, against i) higher revenues from fees (+Euro 25.2 million), ii) higher revenues from exploitation of sorted waste (+Euro 6.8 million) and (iii) higher commercial sales (+Euro 7.8 million). With reference to fee revenues, the change recorded in the year was attributable to accounting for tariff components related to amortisation and depreciation ("AMM") referring to the years 2021 and 2022 for a total of Euro 35.3 million, partially offset by lower WTM revenues paid to the Operator for the year 2022 compared to 2021 (Euro 304.5 million against Euro 305.7 million).

With regard to accounting for the AMM tariff components, 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, 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. Further details can be found in the notes to the financial statements.

For the sake of completeness, the table below shows the comparison between EBITDA and adjusted EBITDA, i.e., excluding the effects of accounting for the 2021 and 2022 AMM components.

Impact of accounting for AMM allowances in 2021 and 2022				
€/Mil.	2022	2021	Change	% Change
EBITDA	65.4	42.8	22.6	52.9%
% on total revenues	15.3%	11.2%	4.1%	
Adjusted EBITDA	30.1	42.8	-12.7	-29.6%
% on total adjusted revenues	7.7%	11.2%	-3.5%	

For the sake of completeness, it should be noted that revenues also included the 2020 AMM. tariff component (included in 2022 WTM) for an amount equal to Euro 15.4 million in 2022, while revenues included the 2019 AMM. Tariff component for an amount equal to Euro 13.4 million in 2021.

Other revenues and income recorded an increase of Euro 3.5 million compared to 2021, mainly due to (i) higher capitalisations of company personnel costs dedicated to transformations of services in local areas, digitisation projects and new plant engineering initiatives (+Euro 1.6 million) and (ii) Revet's accounting for tax credits on investments (Industry 4.0 and former super-depreciation) and on the cost of electricity (+Euro 1.2 million).

Costs for consumption of raw materials and consumables amounted to Euro 24.7 million, up by 24.1% compared to 2021. The increase was mainly driven by higher costs of fuels (+14%) and chemicals (+130%), as well as by higher volumes of purchases of Door-to-Door equipment (especially bags) and, on the Revet side, of bell-shaped containers purchased and subsequently sold to the Concessionaire of ATO Sud (Sei Toscana).

Costs for services amounted to Euro 210.1 million in 2022, up by 7.4% compared to 2021. This increase was mainly driven by the following drivers:

- (i) an increase in treatment and disposal costs (+Euro 5.7 million) due to higher volumes of waste brokered with Scapigliato, greater production of organic waste, higher transport and disposal prices of the unsorted waste component;
- (ii) higher expenses for digitisation and corporate cyber-security (+Euro 3.9 million);
- (iii) growth in the cost of energy and utilities (+Euro 3.0 million);
- (iv) higher cost of contracts for services to be provided in local areas (+Euro 2.5 million), resulting from both the extension of door-to-door collection and weeding services and adjusting the cost of contracts to the current inflationary scenario;
- (v) partially offset by a reduction in the cost of insurance (-Euro 1.0 million).

Labour costs totalled Euro 121.3 million in 2022, showing an increase of about Euro 1.0 million compared to 2021. The variance can be attributed to the increase in the average number of FTEs compared to the previous year (+49 FTEs and +Euro 2.0 million), partially offset by a reduction in labour costs per capita resulting from the change in contract mix (about Euro 1.0 million).

Other operating expenses amounted to Euro 4.0 million in 2022, and mainly included contingent liabilities and non-recurring charges (e.g., capital losses), various taxes and duties (on properties, motor vehicles, telephony, etc.), showing an increase of approximately Euro 0.5 million.

Amortisation, depreciation, provisions and write-downs amounted to Euro 31.5 million in 2022, up from 2021 due to increased amortisation and depreciation (+Euro 2.6 million) and provisions related to both post-closure operation of landfills (+Euro 2.2 million) and the provision for bad debts (+Euro 1.1 million),

the write-down of the old granule plant by Revet (+Euro 0.8 million), partially offset by lower accruals to the provision for risks (-Euro 2.6 million).

Profits from JVs and associates related to income from equity-accounted investments, mainly relating to Real S.r.l., operating in the paper and cardboard recycling sector.

Financial income in the year mainly included the recognition of interest income related to the discounting of fee adjustments.

Financial expenses showed an increase of approximately Euro 3.6 million in 2022 compared to 2021, mainly driven by interest and commission expenses related to the partial repayment of the bond issued in 2017 and the new bond issued in 2022 (+Euro 2.3 million) and interest related to the capex line (+Euro 1.1 million).

Taxes for the year recognized in 2022 amounted to Euro 7.7 million against a profit before tax on the rise compared to 2021 (+Euro 16.3 million).

Consolidated Statement of Financial Position

Balance Sheet				
€/Mil.	2022	2021	Change	% Change
Concession assets	275.8	211.4	64.5	30.5%
Property, plant and equipment	81.0	78.5	2.6	3.3%
Intangible assets	1.2	0.7	0.4	60.4%
Goodwill	0.3	0.3	0.0	0.0%
Non-current financial assets	204.6	16.8	187.8	>100%
Fixed assets	562.9	307.6	255.3	83.0%
Inventories	4.9	4.2	0.7	17.7%
Trade receivables*	170.6	128.9	41.7	32.4%
Trade payables*	-118.1	-100.8	-17.3	17.2%
Other receivables	20.2	21.8	-1.7	-7.6%
Other payables	-30.0	-28.2	-1.8	6.5%
Net Working Capital	47.5	25.9	21.7	83.6%
Provisions for risks and charges	-46.1	-42.8	-3.2	7.5%
Provision for Employee Severance Pay (TFR)	-12.4	-16.4	3.9	-24.0%
Net invested capital	551.9	274.3	277.6	>100%
Shareholders' equity	387.1	185.6	201.6	>100%
Net financial position	164.8	88.7	76.1	85.7%
Sources of financing	551.9	274.3	277.6	>100%

(*) Trade receivables and payables include both current and non-current portions with respect to the schedules reported below.

In 2022 the Group's **fixed assets** showed an increase of Euro 255.3 million against:

- an increase in concession asset (+Euro 64.5 million) resulting from the progress of the investment plan, both collection and plant side, as envisaged in the Business Plan;
- the growth in non-current financial assets (+Euro 188.1 million), mainly attributable to the financing of the construction of the Biodigester in Peccioli through AL.BE. (+Euro 7.5 million) and to the contributions made by the Municipality of Florence and Pistoia concerning the stakes held in Toscana Energia S.p.A. and Publiacqua S.p.A. (+Euro 180.2 million), within the scope of the Multiutility Toscana project.

Net working capital at 31 December 2022 recorded an increase of Euro 21.7 million compared to 2021 due to the recognition of the AMM components for 2021 and 2022 (amounting to Euro 37.2 million, net of the effect of discounting future cash flows), partially offset by the growth in trade payables (+Euro 16.2 million) and current tax payables (+Euro 2.2 million). The growth in trade payables was largely attributable to the increase in investments, where typically contracts with providers of capex have longer payment times when compared to those of providers of opex.

At 31 December 2022, **provisions for risks and charges** showed an increase of Euro 3.2 million, of which an amount of Euro 2.7 million consisted of an adjustment to provisions for post-closure operation of landfills (including financial expenses of Euro 1.1 million) and an amount of Euro 0.8 million related to provisions set aside by Revet (e.g., employee bonus and provision for tax).

The **provision for Employee Severance Pay (TFR)** showed a decrease of Euro 3.9 million in the year, due to the combined effect of outflows to provisions and employees, and the actuarial impact.

Shareholders' equity showed an increase of Euro 201.6 million. This change was mainly attributable to the profit recorded in the year (Euro 22.4 million) and the changes in equity arising from the contributions by Toscana Energia S.p.A. and Publiacqua S.p.A. (a total of Euro 180.2 million, of which an amount of Euro 59.4 million charged to share capital and Euro 120.7 million charged to share premium reserve). For a complete analysis of changes in equity, reference should be made to the table in the notes to the financial statements.

Net financial position recorded a negative balance between cash and cash equivalents and financial payables for Euro 164.8 million, showing a deterioration of Euro 76.1 million compared to 2021. The rise in debt was attributable to both cash outflows generated by working capital and cash flows from operating activities, which were not sufficient to cover the investments made.

Key performance indicators

Some of the economic, equity and financial **performance ratios** at consolidated level are summarised below:

Performance ratios - Group				
	Calculation method	U/M	2022	2021
Solvency ratios				
Financial solidity ratio	Equity capital / (total liabilities - equity capital)	%	0.97	0.58
Shareholders' Equity ratio	Equity / non-current assets	%	0.69	0.60
Coverage of fixed assets with equity and debt	(Equity + payables due after 12 months) / fixed assets	%	1.11	1.07
Liquidity ratios				
Current ratio	Current assets / short-term liabilities	%	1.20	1.03
Quick ratio	(Current assets - Inventories) / Short-term liabilities	%	1.16	1.00
Financial ratios				
Cash flow from operating activities	Profit (loss) + amortization and depreciation + provisions	€/000	53,942	37,305
Average stock turnover (1)	(Closing inventories * 360) / consumption of materials	days	72	75
Average maturity of receivables from tariff (2)	(Trade receivables * 360) / revenues	days	113	123
Average maturity of payables to suppliers (3)	Payables to suppliers * 360 / (consumption of materials + costs for services + other operating costs)	days	171	159
Working capital cycle	(1) + (2) - (3)	days	14	39
Profitability ratios				
ROE	Profit (loss) / equity	%	5.8%	5.4%
ROI	EBIT / total assets	%	4.3%	3.0%
Productivity ratios				
Revenues per capita	Revenues / average employees	€/000	151.90	138.80
Cost of labour per capita	Personnel costs / average employees	€/000	44.76	44.90
Operating income per capita	EBIT / average employees	€/000	12.52	5.76

Furthermore, the table below also shows the main items of the income statement and statement of financial position, as well as the key performance indicators of the Parent Company Alia:

Performance indicators - Parent Company				
€/Mil.	2022	2021	Change	% Change
Revenues	377.8	342.9	34.8	10.2%
EBITDA	54.8	33.2	21.6	65.1%
EBIT	30.7	12.2	18.5	>100%
NFP	141.4	64.5	76.9	>100%
Profit/(loss) for the year	20.6	8.5	12.2	>100%

Performance ratios - Parent Company				
	Calculation method	U/M	2022	2021
Solvency ratios				
Financial solidity ratio	Equity capital / (total liabilities - equity capital)	%	1.08	0.63
Shareholders' Equity ratio	Equity / non-current assets	%	0.71	0.64
Coverage of fixed assets with equity and debt	(Equity + payables due after 12 months) / fixed assets	%	1.10	1.03
Liquidity ratios				
Current ratio	Current assets / short-term liabilities	%	1.32	0.97
Quick ratio	(Current assets - Inventories) / Short-term liabilities	%	1.30	0.96
Financial ratios				
Cash flow from operating activities	Profit (loss) + amortization and depreciation + provisions	€/000	43,836	29,693
Average stock turnover (1)	(Closing inventories * 360) / consumption of materials	days	51	54
Average maturity of receivables from tariff (2)	(Trade receivables * 360) / revenues	days	145	118
Average maturity of payables to suppliers (3)	Payables to suppliers * 360 / (consumption of materials + costs for services + other operating costs)	days	168	154
Working capital cycle	(1) + (2) - (3)	days	29	19
Profitability ratios				
ROE	Profit (loss) / equity	%	5.6%	5.1%
ROI	EBIT / total assets	%	4.3%	2.8%
Productivity ratios				
Revenues per capita	Revenues / average employees	€/000	152.20	140.89
Cost of labour per capita	Personnel costs / average employees	€/000	44.50	44.93
Operating income per capita	EBIT / average employees	€/000	12.35	5.01

Development and research activities

During 2022, the Parent Company continued its work to develop smart containers technology in support of the evolution of collection systems.

Shares or quotas of parent companies

The companies included in the Group at 31 December 2022 did not hold any treasury shares, or shares or quotas of parent companies, not even through trust companies or third parties and had not purchased or disposed of such shares or quotas during the year.

It should be noted that as at 31 December 2022 Alia was owned by the local authority of the Municipality of Florence at a percentage of 51%, which was subsequently reduced to 31% following the completion of the merger of Consiag S.p.A., Acqua Toscana S.p.A. and Publiservizi S.p.A. by incorporation into Alia with effect from 1 February 2023.

Significant events during the 2022 financial year

The significant facts and events that occurred during the year are summarised below:

- **23 February 2022:** Alia successfully completed the issue of a senior unsecured and unrated non-convertible bond of Euro 90 million reserved for subscription by institutional investors. The bond - with a maturity of 6 years and due 23 February 2028 - (i) is listed on the regulated market of the Dublin Stock Exchange and (ii) has a floating interest rate equal to 6M EURIBOR + spread of 260 bps. Intesa Sanpaolo - Imi Corporate & Investment Banking Division and UniCredit Bank acted as placement agents for the issue.
- **16 March 2022:** Alia submitted the final proposals for obtaining funding allocated for action under the National Recovery and Resilience Plan (NRRP). In response to notices for investments 1.1 and 1.2 of Mission M2C1 (Ministerial Decrees nos. 396 and 397 of 28 September 2021) Alia submitted the following projects: 9 projects related to new collection methods for a total amount of Euro 16.1 million and an eligible amount of Euro 7.9 million; 12 projects for the construction of new Collection Sites for a total amount of Euro 10.5 million and an eligible amount of Euro 6.1 million; for Line B, 1 project for the reconversion of the Dano Mechanical Biological Treatment plant (hereinafter also referred to as “MBT”) into a hub for the exploitation of paper and cardboard for an amount of Euro 12.5 million and an eligible amount of Euro 10.6 million; investment 1.2 - Ministerial Decree 397/2021, a project for the construction of a plant for the reuse, recovery and exploitation of WEEE at the San Donnino area for an amount of Euro 19 million and an eligible amount of Euro 3.1 million and a project for the construction of a plant for the treatment of textile waste from after- and pre-consumption in the Municipal district of Prato for a total amount of Euro 18 million and an eligible amount of Euro 2.1 million.
- **22 April 2022:** the contract was finalised for the opening of the Euro 135 million capex line and the first financing step was completed for the period from 2022 to 2024.
- **26 April 2022:** the deed was signed for the merger of Programma Ambiente S.p.A. by incorporation into Alia Servizi Ambientali S.p.A., with legal effects applying from 2 May 2022.
- **28 April 2022:** the Board of Directors of Alia approved the plan for the merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia Servizi Ambientali S.p.A., the first step in the process to establish Multiutility Toscana.
- **3 May 2022:** the Chairman and the Chief Executive Officer of Alia presented the Multiutility Toscana project to the Municipal Governments and to the press, at the Tuscany Regional Government offices.
- **16 May 2022:** Alia formalised the acquisition of the stake that Sienambiente S.p.A. held in Revet S.p.A. at a percentage of 4.5% of the share capital. As a result of the acquisition, Alia’s investment in Revet increased from 51% to 55.50%.
- **20 May 2022:** the judgment handed down by the Florence Regional Administrative Court dismissed the appeal brought by Programma Ambiente Apuane S.p.A. against the Tuscany Regional Government’s decree that had stopped the revision of the Integrated Environmental Authorisation [AIA, *Autorizzazione Integrata Ambientale*] to exceed quota +43.
- **23 May 2022:** ATO approved the 2022-2025 EFPs for each tariff area by Resolution no. 07/2022.
- **22 June 2022:** the Board of Directors of Alia approved the 2022-2031 Business Plan, which was subsequently updated on 26 September 2022.
- **4 October 2022:** the Board of Directors of Alia approved the adjustment to the capital increase to service the contributions given by the Municipal Governments of Florence and Pistoia for the conferment of the interests they hold in Toscana Energia S.p.A. and Publicacqua S.p.A., respectively, as well as the new version of the company Articles of Association.
- **13 October 2022:** new IT systems were launched in the areas of waste collection (WFM) and Customer management (SALESFORCE CRM and SAP IS-U).

- **20 October 2022:** the extraordinary shareholders' meetings of Alia Servizi Ambientali S.p.A., Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. approved the Multiutility transaction, authorising, among others, the merger of the 3 public companies by incorporation into Alia.
- **30 December 2022** in the execution of the capital increase approved by Alia Servizi Ambientali S.p.A. on 20 October 2022: the Municipal Government of Florence proceeded with the full subscription of the amount offered by the company - nominal value of Euro 55,062,727.00, plus a premium of Euro 111,877,463.00 - by contributing 30,134,618 ordinary shares relating to Toscana Energia S.p.A. to Alia Servizi Ambientali S.p.A.; the Municipal Government of Pistoia proceeded with the full subscription of the amount offered by the company - nominal value of Euro 4,351,183.00, plus a premium of Euro 8,840,815.00 - by contributing 1,150,321 ordinary shares relating to Publicacqua S.p.A. to Alia Servizi Ambientali S.p.A..

Collection and sweeping services management

The collection systems that are currently implemented by Alia are different and each depends on the characteristics of the areas involved in the service:

- **door-to-door (DtD)** collection, providing for the collection of waste from the user's premises;
- collection from **street bins**, where the waste is delivered directly by the user in containers placed on the road;
- **hybrid system**, as a combination of the above systems.

In the case of collection from street bins, the service can be further differentiated according to the type of container installed, i.e. collection from bins in close proximity to the street, up-loaders (above or below ground) and side-loaders.

The **door-to-door collection** system for domestic users is carried out by collecting the waste delivered by users on the basis of a schedule stating the days and times when it is to be left out on the street, and using equipment (containers and bags) of small volume, to be left out on the doorstep of each user's home during collection. The model is suitable for peripheral and hilly areas that generally have a low density of settlements and population, with a road network that can normally only be used by small to medium-sized vehicles, and where there are scattered dwellings provided with adequate space for users to leave out, for limited periods of time, the equipment they have received on loan for use. This method makes it possible to collect as much waste sorted by product as possible directly from users' homes, making them responsible for their own deliveries. The percentage of sorted waste is well over 70% in the municipal districts where this system is in operation.

The **collective/condominium door-to-door collection** system is characterised by the use of mobile containers of limited volume, which are given on loan for use to the managers of the collective/condominium housing units and installed in private appurtenances (courtyards, gardens, entrances, hallways, etc.), accessible from the public road system. The model is suitable for peripheral areas generally with a medium density of settlements and population, characterised by multi-user housing units, with appurtenances and condominium spaces accessible from the public road system.

Regardless of whether it is complementary to or a substitute for the DtD model, the system of **collection from street bins** is characterised by medium-large container volumes and is suitable for semi-central urban areas with high density of settlement, with morphological characteristics of the road section and the housing system such as to be unable to allow the bags or household containers used with the door-to-door system to be left out on the doorstep, not even temporarily. Given the structural and morphological constraints of the road section, even in relation to the widespread presence of openings and entrances at ground and mezzanine levels, the preferable system for collection from street bins in such conditions is the up-loader system, with the possibility of placing the containers, even in sets, on both sides of the road, thus exploiting available space with less impact.

The **system of collection from underground containers**, without compaction, is characterised by large volumes from 3,000 to 5,000 litres and is suitable for urban areas in historic centres, where the load of waste produced and the protection and decorum of the historical and architectural heritage suggest the use of alternative systems to both door-to-door collection and street bins, to reduce the impact of containers and waste in urban areas. For similar reasons, the system is suitable for peripheral urban

areas, with a high density of settlement and housing, subject to redevelopment under detailed plans and recovery on the part of both public and private persons.

The integration of systems for Door-to-Door collection and collection from street bins defines **hybrid collection**, which is characterised by the use of street bins for the collection of “heavy” waste (unsorted waste, organic waste and glass) and the adoption of the Door-to-Door collection system for “light” fractions of waste (paper and cardboard and light multi-materials).

Each of the systems described above can be equipped with waste delivery tracking systems. In particular:

- as regards collection from street bins, the containers can be prepared for access control through the installation of an electronic user recognition system; at present, users are provided with an electronic key for the opening command of the container;
- as regards door-to-door collection, the bags and bins used are equipped with user code recognition TAGs that can be read at the time of collection, both through sensors installed in the hopper of the collection vehicle, and through “mobile” readers provided to the operators responsible for collecting bags or bins at home.

Waste collection performance

In 2022 the services produced a total of 840,657 tons of waste, with **waste sorting** of **68.37%**, a value that is calculated by applying the standard certification method of the percentages of waste sorting of urban waste provided for in the Tuscany Regional Government’s Resolution D.G.R.T. no. 1272/2016.

According to the waste report issued by ISPRA (Environmental Protection and Research Agency), waste sorting in Italy is 64%, while the Tuscany Region stands at 64.1% (latest ISPRA report - 2021 data). Alia’s superior performance can be attributed both to substantial investments in the transformation of services and to raising awareness among citizens, even considering that local areas are involved in tourist flows that make waste sorting complex due to the presence of cities of art.

Managed waste							
Tons	2020	2021	2022	Change			
				vs 2020	%	vs 2022	%
Unsorted waste	283,825	278,879	265,911	-17,914	-6.31%	-12,968	-4.88%
Sorted waste	550,959	575,447	574,746	23,787	4.32%	-701	-0.12%
Total	834,784	854,326	840,657	5,873	0.70%	-13,669	-1.63%
<i>Waste Sorting %</i>	<i>66.00%</i>	<i>67.36%</i>	<i>68.37%</i>	<i>2.37%</i>		<i>-1.01%</i>	

As shown in the table, the total amount of waste collected decreased by 1.63% compared to 2021, as a result of a decline in the collection of unsorted waste (-4.88%), while the collection of sorted waste remained essentially stable. A total of 574,746 tons of waste were sent for recovery (-0.7 thousand compared to 2021), while 265,911 tons were sent for disposal (-12.9 thousand compared to 2021).

Service management and transformations

In 2022, work continued on the process of transforming the services in order to make the various collection models more performing and appropriate to the characteristics of the target local areas, with the aim of optimising their efficiency, maximising the separation of the various fractions of waste, with a view to the recovery and recycling of materials.

In line with the planning, work continued on the “*Firenze Città Circolare*” project in the Municipal district of Florence, which envisages different collection systems depending on the municipal territory. After having activated the full Door-to-Door collection service for households in the hillside areas, work continued on the transformation of the area of the old town centre in 2022 with the sorted waste collection integrated with the installation of bell-shaped containers for glass (Piazza D’Azeglio Area), at the same time as opening new underground stations at Via dei Renai and the two stations in Piazza Pier Vettori. Furthermore, work began on the transformation of collection from street side-loader containers to up-loader bell-shaped containers in lots 1 (Milton Fortezza), lot 2 (Leopoldo), lot 3 (Statuto - Viessieux); at the same time, operations were started, for each lot, on the corresponding DtD sorted waste collection sectors involving cardboard for non-domestic users.

In the Municipal district of Barberino Tavarnelle, the service was activated for the full Door-to-Door collection service for fractions of Bulky Municipal Waste [RUI, *Rifiuti Urbani Ingombranti*], organic waste, light multi-material, paper and cardboard, with collection of glass from street bins. A total of 6,013 domestic users and 1,380 non-domestic users were involved in the transformation.

The Empolese-Valdelsa area is served by full DtD collection, with the exception of the Municipal district of Lastra a Signa, where this service is integrated with the collection of glass and Bulky Municipal Waste from street bins, the latter being carried out with side-loader containers fitted with hoods for volumetric control of accesses, which can be opened by using an electronic key. There were no transformations of the service in the Local District, which occurred during the year.

The area of Prato and Piana Fiorentina is served by full DtD collection, with the exception of the Municipal districts of Calenzano and Signa, where the areas that have a reduced traffic flow are served by full DtD collection, while in population centres the DtD collection is integrated with collection from controlled-access side-loader street containers for Bulky Municipal Waste and organic waste.

As regards the city of Pistoia, work continued in 2022 on the transformation of the service of collection from street bins outside the walls delimiting the old town centre. In this local area, there was a shift from the service of collection from street bins for all waste fractions except for paper, which was already collected with bags, to a hybrid system through collection from street side-loader containers for Bulky Municipal Waste and organic waste, bell-shaped containers for glass packaging and DtD collection for light multi-materials and paper and cardboard. During 2022, 1,150 side-loader containers equipped for tracking of deliveries were installed for the collection of organic waste, while completing the work of removing all containers still on the ground and used in the previous collection service. A total of 41,099 domestic and 4,606 non-domestic users were involved in the transformation to the hybrid system, for a total of 45,705 users.

In the Municipal districts of the Montagna Pistoiese area, work was completed in 2022 on the transformation of services in San Marcello Piteglio, where the service provided includes the collection from street bins involving Bulky Municipal Waste, organic waste and glass and DtD collection of light multi-materials and paper and cardboard, as well as of organic waste for non-domestic users. There was the installation of 360 containers of volumes ranging from 240 to 1,700 litres for the collection of Bulky Municipal Waste and of 315 containers of volumes ranging from 120 to 1,700 litres for the collection of organic waste. The transformation involved 4,217 domestic users and 385 non-domestic users.

For the Municipal district of Montecatini Terme, a variant of the collection service was designed during 2022 and work commenced on the transformation. The main objective of the transformation, which will be completed at the beginning of 2023, is to bring the levels of waste sorting in line with those required by national regulations, improving the quality, maximising recovery and incentivising the virtuous behaviour of users. The municipal district has been divided into three collection macro-areas, characterised by two different types of service: a DtD collection model with collection of glass from street bins is planned for the rural area located below the highway network and for the hilly area; a hybrid collection model is planned for the urbanised area, with collection from street bins with up-loader containers of Bulky Municipal Waste, Organic waste and glass (the former two with tracking of deliveries) and DtD collection of light multi-materials and paper/cardboard. 2,200 users were involved in the transformation of the DtD service area, while 8,727 domestic users were involved, for a total of 10,927 domestic users served in the hybrid service area. The start of operations in the DtD service areas took place in July 2022 with the delivery of equipment to users and the placement of containers for collection of glass from street bins. As at 31 December 2022, 491 containers had been placed in the hybrid service area, including 329 up-loader containers with delivery tracking for the collection of Bulky Municipal Waste and organic waste, and 162 up-loader containers for glass collection.

Sweeping services

Alia provides the sweeping service in the 58 Municipal districts served in the following ways:

- combined sweeping, consisting of cleaning the road surface by using sweepers and with the possible assistance of road workers,

- manual sweeping, consisting of the cleaning the road surface and its appurtenances carried out by road workers. The worker uses a light vehicle to collect waste and deliver the content of the bins emptied during the service.

Among the most significant activities in 2022 referring to the sweeping service were:

- the redesign of the combined sweeping in the Municipal District of Bagno a Ripoli (the activity of laying the new signs and the entry into full operation of the new service are scheduled for the first months of 2023),
- the revision of the frequencies and sections swept in the Municipal District of Lastra a Signa, both manual and combined sweeping side,
- the revision of the manual sweeping service in the Municipal District of Sesto Fiorentino and the presentation of the project for the rationalisation of the combined sweeping routes in the Municipal District of Campi Bisenzio,
- the redesign of the combined sweeping of the first of the six lots into which the Municipal District of Pistoia has been divided.

As part of the activities to maintain hygiene and urban decorum in the Municipal districts served, numerous interventions were carried out in 2022 to remove and/or replace outdated litter bins, as well as to install new bins in areas that are considered to be deficient in such equipment.

Revet S.p.A. collection area

In 2022, both in the local areas under the responsibility of ALIA and in those under the management of Sei Toscana (ATO Sud Toscana) and Rea (ATO Costa Toscana), work continued on the shift from collection of heavy multi-material waste in bell-shaped containers to collection of light multi-material (bell-shaped container, Nord Engineering container or DtD collection) and mono-material glass (bell-shaped or Nord Engineering containers). In addition, work continued during the year on the project to replace classic double-hook containers with containers with Nord hook, which will allow the shift from the traditional form of collection, through cranes and third-party operators to automated collection. Complete automation of the collection service is expected by 2023 at ATO Centro and by 2025 at ATO Costa and ATO Sud.

The project for the tracking and reporting of removals and collection vehicles was further developed and entered into full operation, which now includes the maintenance and washing system of containers.

This software should be further developed during 2023 so that it becomes the main tool for service management, including all the automated reporting to operators, even through the interface with Cesip and Ekovision systems.

Revet collection indicators				
Flow	Technology	Emptied containers		
		Revet resources	Third-party carriers	Total
Light multi-material	Traditional	4,495	77,803	82,298
	Automated	307,472	183	307,655
Sub-total		311,967	77,986	389,953
Heavy multi-material	Traditional	3,507	316,898	320,405
	Automated	33,808	0	33,808
Sub-total		37,315	316,898	354,213
Mono-material glass	Traditional	96,249	102,224	198,473
	Automated	167,741	22	167,763
Sub-total		263,990	102,246	366,236
Total		613,272	497,130	1,110,402
<i>% of total</i>		<i>55%</i>	<i>45%</i>	<i>100%</i>

In 2022 Revet's staff members carried out about 312 thousand removals of light multi-material (against 262 thousand in 2021), 37 thousand removals of heavy multi-material (against 35 thousand in 2021) and

approximately 264 thousand removals of mono-material glass (against 218 thousand in 2021), as well as collection services carried out by the sites spread through the territory. The differences were mainly due to:

- increased collection services performed directly by Revet, as a result of the process of insourcing carried out at the same time as the transformation of the collection system
- insourcing services with specific critical issues, in order to ensure their proper and timely performance.

During the year, Revet acquired 740 new containers in order to meet the operators' requests. The maintenance work continued to be outsourced, while the washing of containers located throughout the territory was carried out for each operator, except in the provincial districts of Arezzo and Grosseto for the operator Sei Toscana (since they are not provided for in the ATO Sud / Sei Toscana agreement) and of the Geofor area (since it is not provided as per contract).

Waste treatment plants: recycling, recovery and disposal

The production plants transferred by ATO Toscana Centro under the management of Alia according to the Concession agreement are:

- the plant hub at Paronese (Prato), which carries out sorted waste mechanical treatment and exploitation;
- the plant hub at Casa Sartori (Montespertoli) focused on composting of biodegradable waste;
- the plant hub at Case Passerini (Sesto Fiorentino), which carries out mechanical biological treatment of sorted waste;
- the plant at Faltona (Borgo San Lorenzo) focused on composting of biodegradable waste;
- the Dano mechanical biological treatment [MBT] plant for unsorted waste (Pistoia);
- the plant hub at San Donnino (Florence) focused on sorted waste exploitation and transfer of municipal waste.

In addition to the operation of the plants listed above, the Concession agreement covers operating and/or management activities to be carried out at sites that are no longer operational (for example, landfills subject to post-closure operation). Since 2021, the plant for the storage and pre-treatment of urban and special waste - both hazardous and non-hazardous - has been in operation at Ferrale (Florence).

2022 was marked by additional improvement works, both infrastructure and operational - in terms of plant efficiency, more especially with reference to environmental and management issues - in the implementation of the guidelines laid down in Alia's business plan. For example, this scope of action also includes investments relating to i) the replacement of the filter bed of the bio-filter, as well as the construction of a new suction system at the Case Passerini plant, ii) the completion of works concerning the efficiency of the treatment of unsorted waste with the replacement of screening systems and presses again at the Case Passerini plant, iii) the work required for the construction of a new line for the production of SSFs (Secondary Solid Fuel) at the Paronese plant.

In addition to the above activities, work continued at the Casa Sartori hub on the construction of the new anaerobic digestion section and activities were completed for the final closure of the landfill. Then, during the year, work continued on both the design and the activities functional to the authorisation process in order to ensure, within the timeframe envisaged by the NRRP, the redevelopment of the San Donnino Hub and the simultaneous construction of the plant on a regional scale for the treatment and recovery of waste from electrical and electronic equipment (WEEE) and for the construction of a new plant - again on a regional scale - for the treatment and recovery of textile waste in Prato (Textile - Hub).

Revet S.p.A. plant area

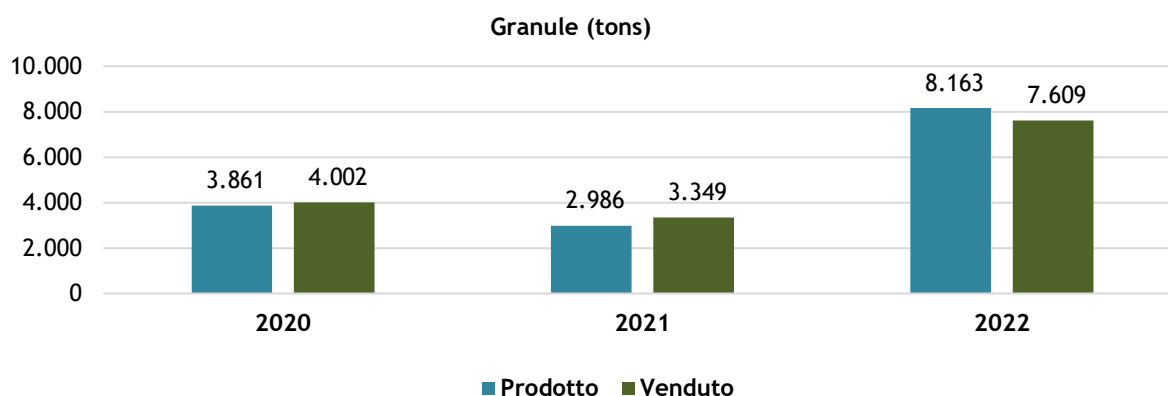
In 2022 the multi-material waste sorting plant - District Centre [*Centro Comprensoriale, CC*] - processed 95,667 tons between light and heavy multi-material. In this activity, although the overall quality of collection of multi-materials worsened due to the presence of foreign fractions, the quantity of sorted plastic waste increased while there was less outgoing glass, mainly as a result of a change in the collection system from heavy to light multi-material.

The Sorting Centre [CSS, *Centro di Selezione Secondario*] performs mechanical and automated sorting of waste from the D-tD collection of light multi-material and mixed plastic packaging (referred to as CIT) from the Revet District Centre plant. Such plastic packaging is in turn derived from sorting and treatment processes of municipal waste from collection of multi-material. The aim of the Sorting Centre production process is to sort materials by type/shape, polymer and color. With the last phase of industrial revamping of the Sorting Centre, completed at the end of 2022, plant investments oriented toward achieving the quality and quantity standards imposed by the consortium system, as well as minimising the material intended for disposal or energy recovery, have been completed.

In 2022, work was completed on the replacement of the next-generation optical selectors on both the film packaging line and the rigid packaging line, thus entering a new phase of business know-how for Revet, which is now able to program and calibrate each selector, pushing material extraction based on verification of incoming packaging and waste and optimising the yields of selected products.

Revet S.p.A. recycling area

The year 2022 was the year of consolidation of the new production line, which had been started in July 2021, in the recycling department. With the exception of some plant shutdowns due to scheduled maintenance and non-routine work on the water purification plant, the line maintained excellent production standards, which allowed it to recycle about 13,000 tons of after-consumption source material, thus making more than 8,000 tons of granule.



LEGENDA

Produced Sold

The material processed in 2022 was produced entirely by Revet's sorting plant, characterised by a 75% composition of FLEX/L (PE-based film-like polyolefin mix) and the remaining 25% MPO/C (rigid polyolefin mix consisting of PE and PP).

The production of polyolefin granule has achieved chemical-physical and mechanical characteristics of consistent quality, to such an extent that it has found increasing application in the replacement of virgin polymers in injection moulding, as well as in technopolymers obtained through compounding: in particular, both types of products (Refill N and Replay) have proven to perform better than the same products made with the old production line.

From a plant engineering point of view, the upgrade of the water treatment section was carried out in 2022: during the period, several experimental campaigns were started in order to build know-how such as to identify critical sections of the purification process and plan their revamping. Overall, the upgrade was carried out in three steps: doubling the MBR section, upgrading the primary water treatment and upgrading the sludge line.

This investment made it possible to increase the capacity of the purification plant serving the recycling line, making it possible to produce an excellent quality granule while still managing to maintain the production standards planned in the budget during machine operation.

Information, communication and relations with users

The Corporate communication strategy, Educational activities and any other work involving the Communication, External Relations and Sustainability Department continued in 2022 in line with previous years, while seeking to add innovative elements.

Awareness-raising and Inclusion

Specific communication campaigns were carried out in order to engage citizens and raise their awareness about environmental sustainability, and the decorum of cities and local areas, as well as to enhance the daily work of Alia's male and female workers and stress the importance of active collaboration. Among the most significant ones carried out in 2022 were:

- I. *sustainability is a team game*, a campaign on virtuous behaviour that invites everyone to collaboration and environmental participation
- II. *we are great*, a multi-media campaign inside and outside the organisation, which addresses the issue of road safety, raising awareness among employees and citizens of the importance of respecting the rules for everyone's safety
- III. *the best wishes of Alia*, a campaign spread on company channels that featured female and male workers as protagonists, conveying a message of good wishes and closeness for all citizens and local areas
- IV. campaign on digitisation and the new customer area that tells of the renewed course of the Company's business and promotes the new communication tools, which are ever closer and more easily accessible for citizens
- V. *fee tariff*, a campaign dedicated to the Municipalities involved in the introduction of the new tariff system with the aim of promoting proper participation in the project and providing appropriate information.

Purchasing, Logistics and Technical resource (Fleet and Property) management

The year 2022 was characterised by the continuation of service transformation processes and a still uncertain general economic and financial environment, which was adversely affected both by the continuing state of Covid-19 health emergency, and by the war in Ukraine due to the Russian invasion. These events exacerbated the already growing difficulties in procurement due to the partial failure to resume operations in industrial supply chains during the post-pandemic period, resulting in a generalised increase in prices of goods, spare parts and materials and uncertainty and delay in delivery times. To this must be added an energy crisis that resulted in a generalised increase in the prices of methane and electricity. Despite the above critical issues, about 1,000 long-term contracts were signed with various suppliers during the year, and work continued on information flows to ATO TC, as required by the Service Contract (subcontracting, reporting of contract work, etc.). ATO officers then carried out audits of the statements made regarding subcontracts for the relevant financial year with positive results.

On the facility management side, work continued in 2022 on the maintenance of the 74 local company units, including the non-plant part of the treatment facilities, through routine and non-routine maintenance. In particular, during the year:

- the new workshop for urban sanitation equipment was made operational at the Via Baccio site and the new test bench was built and activated for overhauls,
- at the logistics base in San Donnino, the self-service methane gas station was completed and tested; this facility is capable of refuelling the methane-powered fleet in reduced time (7') compared to roadside distributors (30') and saving about 7% on the price of fuel,
- work continued on the construction of the new headquarters in Sibille (San Casciano v/Pesa). The office, which will come into operation in early 2023, will make available new spaces functional to the gradual insourcing of services in local areas;
- on the Collection Sites front, as many as 12 projects were submitted in February to obtain the NRRP funds in Measure 2C1.1.11.1; the projects submitted concern the Municipal districts of Florence (4 Collection Sites), Pistoia, Prato, Bagno a Ripoli (revamping of the Collection Site), Figline-Incisa (revamping of the Collection Site), Montespertoli, Greve in Chianti, San Casciano

Val di Pesa, and Barberino di Mugello. The latter, already started in 2021, was then completed and inaugurated in late 2022.

With reference to maintenance of the vehicle fleet and containers, the number of fleet vehicles decreased in the year from 1,455 to 1,246 (-14.4%); the average age decreased from 5.5 years in 2021 to 5.1 years in 2022. Thus, the process of rejuvenation and reduction in the number of vehicles in the fleet continued in favour of reducing operating (stamp duties and insurance), maintenance and consumption costs. The fleet was kept efficient and safe through scheduled and routine maintenance operations provided by both in-house and authorised third-party workshops distributed throughout the territory. It is worth noting the start of experimentation at the end of 2022 on driving aid systems aimed at increasing the safety of pedestrians and cyclists: these devices are expected to be extended to the entire fleet in the coming years. At the same time, work continued on the renewal of the fleet of vehicles through the purchase of 70 units for a total investment of about Euro 7.6 million and the scrapping of 279 units.

Prevention, Health and Safety at work, Integrated Quality, Safety and Environmental Management System

During 2022 the Safety, Environment and Quality Department [DSA, *Direzione Sicurezza, Ambiente e Qualità*] retained its key role within the company organisation with the aim of implementing uniform operational methods, which are capable of ensuring compliance with requirements in the matter of health, safety and environment at workplace.

During the year, and until the end of the validity period of the related protocol, the department was committed to the management and organisation of the measures to avoid infections due to the COVID-19 epidemic, so as to ensure occupational safety and respond to the need to trace positive cases.

The Department's activities continued to include those related to the prevention and protection service, responsibility for the register of environmental managers and in-house environmental consulting, in addition to maintaining the effectiveness of the integrated management system (confirmed by compliance with ISO 9001-14001-45001 issued by the accredited body SGS), conducting in-house inspection audits of the various company processes and sites, and supporting the continuous improvement of the organisation.

In 2022, Alia profoundly changed the layout of the company management system documentation in order to simplify its structure and emphasise process-based management. The changes resulted in the new issuance of the management system manual and to the replacement of the previous structuring of company procedures. The new structure of the system is aimed at consolidating the risk assessment methods and the systemic and cross-sector approach to the management of regulatory compliance, starting with the OMCM under Legislative Decree 231/2001, as amended and supplemented, Law 262/2005, as amended and supplemented, and the preparation of the non-financial statement regulated under Law 254/2016, as amended and supplemented, or the issues of privacy and GDPR.

Billing, Collection, Economic and Financial Plans of TARI waste tax

During the year, the issuance and collection of the TARI waste tax payment notices were ensured for the following Municipal districts : Capraia e Limite, Castelfiorentino, Cerreto Guidi, Certaldo, Empoli, Figline-Incisa, Fucecchio, Gambassi Terme, Montaione, Montelupo Fiorentino, Montespertoli, Vinci, Lamporecchio, Larciano, Lastra a Signa, Monsummano Terme, Pistoia, Serravalle Pistoiese, Bagno a Ripoli, Calenzano, Campi Bisenzio, Fiesole, Florence, Greve in Chianti, Impruneta, San Casciano Val di Pesa, Scandicci, Signa, Barberino Tavarnelle, Carmignano, Montemurlo, Poggio a Caiano, Prato, Vaiano, Agliana, Montale, Quarrata and Cantagallo. On the other hand, as regards the Municipal district of Lamporecchio, the TARI quantity-based fee waste tax was handled through Alia directly issuing a tax document - invoice -, while the TARI waste tax levy had been applied for the other Municipalities.

The Municipal districts asked Alia to manage the TARI waste tax in accordance with Additional Service 18 of the Service Contract entered into with ATO Toscana Centro, which provides for the management of this tax including relations with users and all billing, i.e. back office and front office work in addition to a freephone service and the TARI and digital TARI waste tax portals. The issue of ordinary notices only continued for the Municipality of Borgo San Lorenzo during 2022. Alia managed the enforcement stage directly only for the Municipal district of Lamporecchio, while the necessary information for the years

after 2013 (set out according to the agreed scheme) were sent to the other municipalities to be passed on to their respective operators in charge of debt collection. Only for the years from 2014 to 2017, and only for the Municipal districts of Capraia e Limite, Castelfiorentino, Cerreto Guidi, Certaldo, Empoli, Fucecchio, Gambassi Terme, Montaione, Montelupo Fiorentino, Montespertoli, Vinci, we selected and appointed an entity qualified to recover TARI waste tax debts which will be supervised directly by ALIA, as we were appointed as TARI Waste Tax Manager at the time and are thus responsible for all stages in collection including enforcement.

In 2022, more than one million notices and invoices were issued for a total amount exceeding Euro 290 million and a total of approximately 61,000 payments were managed via current account direct debit (SEPA). As regards debt collection, a total of 158,237 payment orders were served, while actions were taken to issue 35,740 notices of assessment for non-payment, as well as 22,407 notices of assessment for failure to report and 7,008 notices of presumptive assessment.

During the year work continued on finding TARI waste tax evaders, both domestic and non-domestic, through a massive cross-referencing of databases and precise audits; requests for information were in fact sent to 4,755 potential tax evaders. We worked in collaboration with the municipal offices to design and verify the operating methods to be used in setting the parameters required for presumptive assessments in the event that the users contacted had not proceeded with the settlement of their position.

On the customer care front below are some significant issues that emerged during the year:

- the key role of call centers, a contact channel confirmed as strategic for the company, supported by digital channels in order to enable customers to carry out an increasing number of operations remotely and more smoothly. In 2022, more than 750,000 calls were handled, with a 6% increase in response rate over the previous year and an average of 88%;
- growth in the handling of service-related correspondence. The number of user contacts in 2022 showed an increase compared to 2021, mainly due to the digital transformation of services and the reorganisation of company procedures;
- reorganisation of local offices for services to the public and Infopoints. The local offices are at the centre of a major reorganisation from 2022, which will allow the integration of typical TARI waste tax activities and Infopoints. In fact, the Alia Points are integrated offices where the customer will receive assistance both on the subject of TARI waste tax (activations, changes and terminations) and services. In November 2022, 5 offices were activated in the Municipal districts of (Monsummano Terme, Montemurlo, Castelfiorentino, Scandicci, and Lastra a Signa), adding to the office already operating in Empoli;
- new Customer Experience Projects. 2022 was the year in which the renewal of the Customer Journey was actually started. All the actions taken were designed to make the customer experience faster, smoother, more convenient and better performing. In October 2022, the "go live" of the new integrated management system was carried out, which made it possible to combine processes and customer management for both all TARI-related operations and service requests and reports. On the same date, a web portal, "Aliapp," was activated, where, through a restricted area, customers can make requests and reports on all services offered, and peruse their TARI waste tax positions, including the accounting part;
- customer surveys. The year 2022 was the year in which customer listening took place in a structured manner with the specific goal of surveying the prevailing needs of the utilities under management in order to design and implement the next best actions, which also coincide with business objectives;
- fee tariff. The end of 2022 was marked by the launch of a very ambitious and challenging project, namely the activation of the fee tariff in 13 Municipal districts under management, with a total of about 120,000 utilities. It required the start of a preparatory phase of deploying new equipment

for tracking user behaviour in order to be able to apply any possible incentives on the TARI waste tax bill.

Personnel, recruitment and training policy

Workforce

The average headcount in the Group in 2022 was 2,709 units (as detailed below).

Average number of employees by position					
	Alia	Revet	Ambiente	Valcofert	Total
Average number of employees	S.p.A.	S.p.A.	Apuane S.p.A.	S.r.l.	Alia Group
Executives	12	1	0	0	13
Middle managers and office workers	648	54	2	2	706
Manual workers	1,565	157	2	5	1,729
Temporary workers	257	4	0	0	261
Total	2,482	216	4	7	2,709

During the year, 116 subordinate employment contracts were terminated, while 351 employees were hired on permanent employment contracts at the Parent Company, including the merger by incorporation of Programma Ambiente S.p.A. and the permanent employment of 296 temporary workers. The use of temporary workers has been mainly necessary to replace staff who are absent on holiday (as per the annual schedule) or for accidents/illnesses.

Training and Organisational Development

During 2022 the Alia Group delivered 56,027 training hours, which involved 2,842 employees, with a rise of more than 45% in hours compared to 2021. This increase was attributable to both continuous upgrading in security and the ongoing process of digital change.

Total training hours, of which	56,027
Safety	21,249
OMCM	988
Operations training	3,684
Continuous training	7,657

Including data from Alia S.p.A., Revet S.p.A. and Valcofert S.r.l.

Average employee training hours per head		
Total per head	hours	20.32
of which men	hours	20.58
of which women	hours	19.60
of which executives	hours	15.16
of which middle managers	hours	31.78
of which office workers	hours	22.64
of which manual workers	hours	19.35

Excluding data from Valcofert S.r.l.

Among significant training activities in 2022 were:

- the design and implementation of the safety refresher course, structured to accompany the employee toward the internalisation of customer orientation and the acquisition of skills for managing the risk of aggression;
- the delivery, to be regarded as being valid as a safety refresher course, concerning the 2nd edition of Safe Driving to which eco-sustainable driving was added as a practical topic, involving 148 Alia drivers;
- the planning of a Level 3 firefighting training course for plant workers (manual and office workers) lasting 16 hours;
- the training project for innovation and digitisation of ALIA with the adoption of new management software such as SAP WASTE and FIELD Salesforce, SAP Billing and Credit for the management of TARI waste tax billing and credit through automated systems, and Salesforce, a cloud-based CRM solution that allows real time connection with customers.

With regard to organisational development and internal communication, the projects implemented in 2022 enabled the sharing and dissemination to all staff members of the innovations introduced across the company. In particular, this was the case for the Call To Action change intervention: launched on 15 November 2021, the project was extended to include all Alia employees interested in contributing through proposals to the company's innovation. The initiative ended in July 2022 with the presentation of the results obtained by the 14 working groups.

IT systems and infrastructure

Introduction

In 2022, the Company continued its path to Digital Transformation supported by the Information Systems Department: the latter changed its organisation during the year in order to support Operations and Corporate activities under the plan to adopt new technologies and revise processes.

Scope of application

The year 2022 was marked by a substantial revision of the application map and the commissioning of a number of projects, which affected almost all business processes. Key drivers of this change were both the quest for greater digitisation of processes and the repositioning of the customer at the centre of service, which were pursued through the choice of market-leading technology partners such as SAP, Salesforce, Qualtrics and ESRI. Among the most significant projects developed during the year, which went into production with subsequent releases as early as from January 2022, are the development and IOT management for roadside dumpsters with delivery tracking, the Billing system (TARI waste tax and fee) and credit management, the Waste system for the management of planned and on-demand services, and the single integrated system for asset and map management.

Infrastructure

In the infrastructural sphere, in 2022 work was oriented towards the evolution of technologies enabling digital services, with specific regard to both the evolution of smart-working and work force management services and the consolidation of Core platforms (SAP and Salesforce) through the provision of new Cloud-based services; other major issues were the targeted interventions in order to ensure security, resilience and protection in the areas of Cyber Security, Data Protection and Business Continuity, also in light of the events that occurred in December 2021. Below are some of the key actions:

- *infrastructure resiliency* - decommissioning of assets that are no longer used;
- *cloud platform integration* - integration and data exchange to Cloud platforms were ensured and access mechanisms were implemented via Single Sign On (SSO),
- *backup & restore* - adoption of Veeam Availability Suite tool for company data security,
- *networks & security* - technical and organisational initiatives to strengthen cybersecurity across the company (introduction of security degree measurement tools, encrypted connection between company and staff operating in smart-working, simulated phishing campaign plan and related remedial training).

Help Desk

The Help Desk service, which as from 2022 became the subject of a reorganisation plan, handled about 30,000 telephone calls and 11,000 e-mails during the year, which generated about 23,000 tickets, of which 78% were handled and resolved at the first level without involving Alia staff. In addition, more than 1,500 tickets were opened for IT access requests, as were more than 1,200 tickets for property maintenance: in fact, the service has become the company's single point of contact for any and all types of reports.

Control Systems, Transparency, Code of Ethics and Litigation

Introduction

The year 2022, the fifth of the concession, was marked by the progress of work on the "Multiutility Project" until the execution of the deed of merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia Servizi Ambientali S.p.A. on 26 January 2023, the first key step towards the establishment of the Tuscan multi-utility provider for the operation of local public services. In line with the business plan, the Company has also launched projects aimed at improving the efficiency of environmental hygiene services, a digital transformation plan for the simplification and optimisation of service to citizens, and activities for the transition to quantity-based fee tariff. On this last point, there will be 13 Municipalities in the ATO Toscana Centro, which will adopt the new tariff system based on the enhancement of users' virtuous behaviour in waste delivery.

Board of Directors' proceedings

On 25 January 2022, the Board of Directors authorised the issue of a senior, unsecured, non-convertible bond loan listed on the regulated market operated by the Irish Stock Exchange (Euronext Dublin) with a maximum principal amount of Euro 90 million. The issue of the loan was formalised by the Company on 23 February 2022.

At the same meeting, the governing body also resolved to approve the granting of a bridge credit line for money market operations, with a maximum amount of Euro 25 million and maturity on 30 April 2022. This line of credit, granted by Unicredit S.p.A. at a fixed rate of 2.65%, was repaid at the same time as the disbursement of the Capex line that was the subject of the resolution at the subsequent meeting.

At the meeting held on 25 February 2022, the directors authorised the completion of all the necessary formalities for the finalisation of the financing transaction (Capex Line) started with Unicredit S.p.A., (agent bank) and Intesa San Paolo S.p.A., Banco BPM S.p.A. and Iccrea Bancalmpresa S.p.A. (lending banks), for the maximum amount of Euro 140 million.

By a subsequent resolution passed on 29 March 2022, the total value of the loan was reduced to Euro 135 million against the partial repayment of the Bond issued in 2017. On the same date, the Board of Directors authorised the submission of expressions of interest in response to the exploratory notice published by the Tuscany Regional Government, in accordance with the EU's "Circular Economy Package," aimed at the construction of urban waste recovery/recycling plants and/or waste derived from the treatment of urban waste (Resolution no. 1277 of 29 November 2021). In this context, the projects conceived by the Company have as their object the construction of three hubs for recycling of final waste, located in as many dedicated industrial areas (Empoli, Rosignano Marittimo and Pontedera), and the Board of Directors has authorised the commercial, industrial and/or corporate partnerships preparatory to their realisation.

Furthermore, the Directors were informed of the final submission of proposals on 16 March 2022, for obtaining the funding allocated for the actions under the National Recovery and Resilience Plan (NRRP), in implementation of the resolution passed by the board on 29 December 2021.

On 26 April 2022 the deed was signed for the merger of Programma Ambiente S.p.A. by incorporation into Alia Servizi Ambientali S.p.A., with legal effect as from 2 May 2022.

On 28 April 2022 the Board of Directors approved the plan for the merger of Acqua Toscana S.p.A., Consiag S.p.A. and Publiservizi S.p.A. by incorporation into Alia Servizi Ambientali S.p.A., as well as all the several transactions and formalities related thereto.

The above merger plan was then approved by the Shareholders' Meeting on 20 October 2022.

On 5 May 2022 the Shareholders' Meeting approved the Financial Statements at 31 December 2021, as well as the 2021 Consolidated Financial Statements and the 2021 Consolidated Non-Financial Statement, prepared in accordance with Legislative Decree 254/2016.

On 16 May 2022 Alia's acquisition of the shareholding held by Sienambiente S.p.A. in Revet S.p.A. in the amount corresponding to 4.5% of the share capital was formalised by a deed drawn up by Roberto Ceni, Notary Public. As a result of this acquisition, Alia's stake in Revet increased from 51% to 55.50%.

At the meeting held on 22 June 2022, the governing body approved updates to the Company's 2021-2030 business plan, which had already been approved at the meeting held on 25 May 2021 and submitted to the Shareholders' Meeting held on 11 July 2022.

At the same meeting held on 22 June 2022, the Board was informed of the negative outcome of the appeal filed by subsidiary Programma Ambiente Apuane S.p.A. for the annulment, subject to suspension, of the effectiveness of Decree 23121 of 29 December 2021 issued by the Tuscany regional Government, as explained to the board at the meeting held on 29 March 2022. The Tuscany Regional Administrative Court, in ruling no. 702/2022 of 4 May 2022, which was then published on 20 May, therefore confirmed the time limits set out in the contested measure, applicable to the EIA of the landfill for non-hazardous waste with a basin dedicated to asbestos (former Viti quarry), located in the Municipal district of Montignoso. The board was informed of Programma Ambiente Apuane's intention to file an appeal against the Regional Administrative Court's ruling, while starting the Regional Single Authorisation Measure [PAUR, *Provvedimento Autorizzatorio Unico Regionale*] procedure for permit renewal.

On 26 July 2022 the Board of Directors approved amendments to the Rules of the bond issued on 9 March 2017, "€50,000,000 2.70% Senior Unsecured Amortising Fixed Rate Notes due 9 March 2024" (the "2017 Bond"), which were necessary for the finalisation of the partial buy-back transaction of the securities included in the 2017 Bond.

On 26 September 2022 the Board of Directors, in view of the lapse of time between the determination of the share swap ratio and the exercise of the right of withdrawal, approved certain amendments to Alia's 2022-2031 Business Plan, which had been approved on 22 June 2022: a document on the basis of which the liquidation value of the shares in any case of withdrawal under Article 2437-ter of the Italian Civil Code was determined in view of the imminent execution of the deed of merger.

On 29 September 2022 the Board of Directors approved the explanatory report on the liquidation value of the shares of Alia Servizi Ambientali S.p.A., in which the value to be paid to any withdrawing shareholders was determined in accordance with the provisions of Article 2437-ter, paragraph 3, of the Italian Civil Code, which was subsequently approved by the board of statutory auditors and the company appointed for the statutory audit of accounts at the meeting held on 4 October 2022.

At the meeting held on 4 October 2022, the governing body, as part of the Multiutility Project, approved the adjustment to the capital increase to serve the contributions given by the Municipality of Florence and the Municipality of Pistoia for the conferment of interests they hold in Toscana Energia and Publiacqua, respectively, as well as the new version of the Articles of Association, compared to the one attached to the merger plan, to be submitted to the extraordinary shareholders' meeting for approval in view of the merger.

During 2022, the Board of Directors approved loans in favour of subsidiary AL.BE. S.r.l., in order to enable the continuation of the works necessary for the construction of the biodigester in Legoli, for a total amount of Euro 13 million. At the meeting held on 15 November 2022, the Board of Directors then granted a mandate to the Chief Executive Officer to meet any future requests from AL.BE. to finance the plant.

At the meeting held on 15 November 2022, the agreements reached regarding the renewal of the shareholders' agreements between Alia and Sienambiente S.p.A. relating to Revet S.p.A. were also approved, which had been made necessary by the change in the respective investment in the subsidiary's ownership structure, following the sale of shares on the part of Sienambiente S.p.A..

At the meeting held on 20 December 2022, the Board of Directors approved the 2023 budget, which had been prepared by considering only the Company's waste management activities, without including the effects resulting from the completion of the merger process.

Organisational, Management and Control Model under Legislative Decree 231/2001

1) Changes in the Alia model

During 2022, an analysis of business processes was carried out, including in view of the organisational restructuring. Consequently, additions were made to both rules and procedures already laid down in the Management System documentation, where necessary, and operational principles and procedures were drafted for the provision of safeguards to mitigate the risk of offences, a prerequisite for the Entity's liability under Legislative Decree 231/2001.

The review is still ongoing and will continue during 2023, also taking into consideration the implications arising from the merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia Servizi Ambientali S.p.A..

2) Changes in the organisational model of subsidiaries

In 2022 the subsidiaries of Alia did not take any action to implement the Organisational Model under Legislative Decree 231/2001.

3) Training courses delivered by Alia in relation to Legislative Decree 231/2001

In 2022 training was delivered to employees in the matter of regulations laid down in Legislative Decree 231/2001.

4) Training courses delivered by subsidiaries

In 2022 REVET S.p.A. delivered training sessions to all new hires in relation to Legislative Decree 231/2001.

5) Audits of Alia

In 2022 the Supervisory Board carried out six audits, mainly on issues that emerged from the periodic flows to and from the Board: in particular, the purchasing process (also in view of the adoption of the new company procedure), transaction management, the process of managing environmental risks and risks associated with occupational health and safety were examined.

In addition, following the ransomware attack, which affected all systems hosted in the Company's data Processing Centre (CED), which occurred on 5 December 2021, the Supervisory Board monitored the outcome of the effects, which were not found to be significant.

6) Audits delivered at subsidiaries

In 2022 the Supervisory Board appointed by the Board of Directors of each Subsidiary carried out:

- 8 audits at Revet S.p.A.
- 3 audits at Programma Ambiente S.p.A.
- 6 audits at Programma Ambiente Apuane S.p.A..

7) Critical issues reported by the Supervisory Board of Alia

After considering what was declared by the Managers of each Function through the periodic flows addressed to the SB and taking account of the lack of reports in the implementation of the Whistleblowing system, as well as what emerged during the audits carried out, the SB declared that the Organisational Model under Legislative Decree 231/2001 is adopted and applied by the Company in an effective and efficient manner.

It should also be noted that the SB did not find any critical issues, but made observations to the Entity with a view to continuous improvement.

In particular, it was suggested to the Management to ensure a more stringent application of the purchasing procedure, and the need for greater traceability of the decisions made (for example, with regard to the reasons that lead to settlement agreements) was pointed out, as a suitable tool to allow an *ex-post* audit on both the implementation of the safeguards envisaged in the procedures, and compliance with the system of proxies and powers of attorney.

8) Main litigation

For more information on the main litigation, reference should be made to the specific paragraph of the explanatory notes.

Report on Corporate Governance and ownership structure

According to Article 123-*bis* of the Consolidated Finance Act (Legislative Decree 48 of 2008), the companies issuing transferrable securities admitted to trading on regulated markets must provide, in a specific section - headed "*Report on corporate governance and ownership structure*" - of the report on operations, the detailed information required by paragraphs 1 and 2. According to Paragraph 5 of the aforementioned Article, "the companies that do not issue shares admitted to trading on regulated markets or in multilateral trading systems are not obliged to publish the information referred to in paragraphs 1 and 2, except for that required by paragraph 2.(b)".

The information required by Article 123-*bis*, paragraph 2.(b), of the Consolidated Finance Act is therefore provided below, concerning the existing risk management and internal control systems in relation to the financial reporting process with reference to the Organisational, Management and Control Model under Legislative Decree 231/2001 and the application of Legislative Decree 262/2005.

The Organisational, Management and Control Model under Legislative Decree 231 forms an integral part of the risk management and internal control system in relation to the financial reporting of Alia, due to the type of the model itself. According to Article 6, paragraph 2, of Legislative Decree 231/2001, in fact, the Model must "identify the areas in which offences may be committed".

Alia has analysed the types of offences and identified the company processes or areas in which there is a risk of the offences provided for in the Decree being committed, including the offences of false corporate communications (Articles 2621 and 2621-*bis* of the Italian Civil Code) and false corporate communications of listed companies (Article 2622 of the Italian Civil Code).

For each of these processes/areas the individual sensitive activities have been identified and the rules of control and conduct have been laid down, which all those operating therein must comply with.

In 2022 the Company continued its work to update the procedures set out in the Organisational, Management and Control Model and the compliance with the Code of Ethics as reported in the section relating to the Model itself.

Significant events after the reporting date

- **26 January 2023:** the deed was signed for the merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia Servizi Ambientali S.p.A., with effect from 1 February 2023;
- **31 January 2023:** the two concession decrees were published for the projects submitted in accordance with Legislative Decree 397 of 28 September 2021, by which Alia was awarded the contract for the textile hub project (for a recognised amount of Euro 2,020,597.82) and the WEEE project (for a recognised amount of Euro 3,578,876.43);
- **24 February 2023:** the shareholders' meeting of Alia Servizi Ambientali S.p.A. resolved to expand the number of members of the Board of Directors to 11 members.

Outlook

The year 2023 will be a crucial year for the Group because of expected developments in a whole series of industrial and corporate issues, which will presumably radically reshape its identity and with it its corporate mission. Such developments form an integral part of the "Multiutility Toscana" project. After the transfer of Toscana Energia S.p.A. and Publiacqua S.p.A. on the part of the Municipality of Florence and the Municipality of Pistoia, which was finalised at the end of 2022, the Group was engaged, in early 2023, in completing the merger of Publiservizi S.p.A., Acqua Toscana S.p.A. and Consiag S.p.A. by incorporation into Alia Servizi Ambientali S.p.A.

At the same time the following processes were started:

- launch of the *first tranche of a capital increase* of Euro 1.2 billion reserved for contributions of investments held by the Municipalities, in companies functional to the industrial project of the newly-established group;
- *strengthening of the management team* through the recruitment of new key staff members for the organisation and the development project undertaken across the organisation;
- *real estate scouting* work to find a new headquarters capable of housing and gathering all the Group's corporate functions;
- *naming and rebranding* work in order to select a new name and logo for the "Multiutility Toscana" project.

From an organisational perspective, the Group will be engaged during the year on several activities preliminary and preparatory to the IPO, such as:

- the redesign of the governance system, including the appointment of company committees and the remuneration policy, in accordance with CONSOB [Italian Securities and Exchange Commission] requirements on listed companies;
- the redesign of the Group's organisational and operational model.

At the same time, it is planned to establish a Holding Company, which will be wholly owned by the Municipalities, into which their respective stakes in Alia Servizi Ambientali S.p.A. will be contributed. A corporate reorganisation will also be carried out, which will see the creation of an Operation Company dedicated to the waste business, through the spin-off of this business unit from Alia Servizi Ambientali S.p.A.. As a result of this operation, a group structure will be set up in which the corporate functions will merge into the parent company and operations will be managed by the companies in which it has an interest.

Within the scope of the reorganisation, the new group strategic plan will be drawn up, which will provide for all lines of development and integration. The plan will be preparatory to the listing on the stock market (Initial Public Offering, hereinafter also referred to as "IPO") and will include ESG objectives, as well as economic and financial targets. At the same time as the activities described above, work will be commenced on the plan required to achieve both the Corporate Credit Rating and, with a view to sustainability, the ESG rating: these will be functional for both the IPO and future financing operations on the debt market.

Risk management

The Alia Group 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 main operational risks are reported below, which affect the Alia Group; for more information on financial, credit and equity risks, reference should be made to the related paragraph of the explanatory notes to the financial statements.

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.

Risks associated with general economic and sector conditions, also due to the Covid-19 Pandemic and the Russia-Ukraine conflict

The difficult macroeconomic scenario that marked the financial year, which was adversely affected by both the continuing state of health emergency and the outbreak of the conflict in Ukraine, led to certain difficulties for the Group on both the procurement and energy fronts, with a generalised rise in prices and delays in supplies. Through significant procurement planning and contracting work with suppliers, the Group managed to reabsorb some of the adverse impacts; however, there remains a high level of attention to these operational areas, which are subject to continuous monitoring and control.

Regulatory risks, including environmental regulation

As part of its concession business, the Group operates in an industry governed by numerous regulatory provisions at the national and international level. Any changes, which cannot be foreseen at present, in the current regulatory framework could have an adverse impact on the Group's results of operations. A potential risk factor in the industry is the constantly evolving legislative and regulatory framework in which the Group operates. The Company's results of operations are, in fact, affected by the evolving regulatory framework of reference, particularly with regard to tariff regulation.

Risks associated with the environment, health and safety

The Group has various production sites throughout Italy and consequently it is exposed to the risk of not being able to ensure a safe working environment, with the risk of causing potential damage to property or persons and exposing the Group to regulatory sanctions, legal actions on the part of employees, compensation costs and reputational damage. In order to mitigate these risks, the Group aims to implement a model of sustainable development based on environmental sustainability, to be understood as the ability to safeguard natural resources and the ecosystem's capacity to absorb the direct and indirect impact generated by production activities.

Risks associated with processes and procedures adopted

The Group is exposed to the risk arising from shortcomings in the design of business processes or from errors and failures in performing operations. In order to cope with this risk, the Group has adopted a framework consisting of the system of organisational communications and of Manuals and Policies, as well as management procedures, operating procedures and work instructions.

Risks relating to human resources

The main risks associated with human resource management, to which the Group is exposed, concern the ability to find the skills, professionalism and experience required to pursue its objectives. In order to mitigate these risks, the Group has set out specific selection, development, career, training, remuneration and talent management policies that are applied in all the countries in which the Group operates according to the same principles of meritocracy, fairness and transparency, paying particular attention to issues that are relevant to local culture. Moreover, the Group has established a relationship of confrontation and dialogue with trade unions.

Legal risks

As part of its normal operations, the Group is involved in legal and tax proceedings. In relation to some of them, it may not be able to quantify the potential liabilities that could result in an effective manner. A detailed analysis of the main disputes is provided in the relevant paragraph of the explanatory notes to the Consolidated Financial Statements.

Risks associated with unlawful acts committed by employees

The Group is exposed to risks arising from unlawful acts committed by employees, such as fraud, paying and receiving bribes, acts of vandalism or damage, which could have adverse effects on the results of operations for the financial period in which they occur, in addition to undermining the Company's image and integrity in terms of reputation. In order to prevent such risks, the Group has adopted an organisational model under Legislative Decree 231/2001 and a Code of Ethics, which describes the principles and values that inspire the work of the entire organisation.

Risks associated with ICT Systems, including cybersecurity

The main risk factors that could compromise the availability of the Group's ICT systems include cyber attacks, which may result in a possible stoppage of production and sales support activities or endanger the confidentiality, integrity and availability of personal data processed by the Group. In order to mitigate the occurrence of such risks, the Group has implemented a centralised control system aimed at improving the Group's IT security.

Risks associated with climate change

Physical and transition risks related to climate change can adversely affect the Group's business, both in the short and long term. Among the investments and mitigation and adaptation actions planned to date, which are geared towards both energy transition and environmental transition to circular economy, include: a reduction in company energy requirements through investments in efficiency, specific investments in renewable energy (e.g., biomethane production and PV plants), fleet renewal and reduction of emissions, as well as an acceleration towards the reuse of raw materials through recovery and Regeneration resulting in reduction of CO₂ emitted.

Florence, 29 March 2023

For the Board of Directors

The Chairman
Nicola Ciolini

The Chief Executive Officer
Alberto Irace

Consolidated Statement of Financial Position

STATEMENT OF FINANCIAL POSITION - ASSETS	NOTES	2022	2021
Property, plant and equipment	1	72,434,380	68,039,205
Concession rights	2	274,172,280	210,045,179
Rights of use	2	10,604,939	11,750,753
Other intangible assets	3	827,710	731,761
Goodwill	3	250,481	250,481
Equity investments in associates and joint ventures	4	182,693,702	7,841,579
Other equity Investments	4	21,923,695	8,730,672
Non-current financial assets	5	1,241,075	242,783
Deferred tax assets	6	6,078,769	10,953,211
Non-current trade receivables	10	2,733,178	2,110,649
Non-current contract assets	7	19,120,747	
Other non-current assets	8	2,801,515	3,908,389
Total non-current assets		594,882,471	324,604,661
Inventories	9	4,908,393	4,168,671
Trade receivables	10	132,548,198	126,757,831
Current contract assets	7	16,158,685	
Equity investments	11	0	1,770
Current tax assets	12	560,666	302,723
Other current assets	13	9,506,055	6,682,038
Cash and cash equivalents	14	26,108,803	45,380,293
Total current assets		189,790,800	183,293,326
TOTAL ASSETS		784,673,271	507,897,987

STATEMENT OF FINANCIAL POSITION - LIABILITIES	NOTES	2022	2021
Share capital	15	153,413,910	94,000,000
Reserves	16	203,372,849	73,726,614
IFRS FTA Reserve	16	7,896,006	7,896,006
Profit (loss) for the year		22,431,250	9,932,733
<i>of which: Equity attributable to minority interests</i>	17	16,475,103	17,264,967
<i>of which: Net profit (loss) attributable to minority interests</i>	17	1,239,715	818,899
Total shareholders' equity		387,114,015	185,555,353
Provisions for risks and charges	18	46,056,915	42,849,224
Employee severance pay and other employee benefits	19	12,444,388	16,373,473
Non-current financial liabilities	20	163,310,170	65,314,967
Non-current financial liabilities for rights of use	20	5,140,365	6,539,862
Other non-current liabilities	21	9,608,374	8,646,635
Non-current trade payables	22	3,400,000	4,233,333
Total non-current liabilities		239,960,212	143,957,495
Current financial liabilities	23	20,570,580	60,495,869
Current financial liabilities for rights of use	23	1,920,058	1,772,045
Trade payables	24	113,696,666	96,568,033
Current tax liabilities	25	2,330,345	1,821,892
Other current liabilities	26	19,081,396	17,727,301
Total current liabilities		157,599,044	178,385,140
TOTAL LIABILITIES		397,559,256	322,342,634
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		784,673,271	507,897,987

Consolidated Income Statement

INCOME STATEMENT	NOTES	2022	2021
Revenues	27	411,504,747	371,704,947
Construction revenues - Concession rights	2	84,942,039	39,469,351
Change in inventories of finished products, semi-finished products and work in progress	27	1,057,501	-25,931
Other operating revenues	27	7,575,056	6,847,990
Other income	27	6,147,294	3,414,488
Consumption of raw materials and consumables	28	24,685,463	19,885,190
Costs for services	28	210,952,024	195,565,634
Personnel costs	28	121,265,076	120,229,053
Other operating expenses	28	3,967,715	3,471,496
Construction costs - Concession rights	2	84,942,039	39,469,351
EBITDA		65,414,320	42,790,120
Amortisation, depreciation, provisions and write-downs	29	30,472,646	27,618,765
Net value write-backs (write-downs) of trade and other receivables	29	1,037,779	-246,660
Operating income (EBIT)		33,903,895	15,418,015
Write-downs and (reinstatements) of financial assets	30	26,129	169,842
Share of profits (losses) of joint ventures and associates	31	1,173,332	1,535,138
Financial income	32	2,105,481	509,497
Financial costs	32	7,006,730	3,442,236
Financial operations		-3,754,046	-1,567,443
Profit before tax		30,149,849	13,850,572
Tax	33	7,718,599	3,917,839
Net profit (loss) for the year		22,431,250	9,932,733
Of which attributable to minority interests			
<i>Net profit (loss) attributable to minority interests</i>		1,239,715	818,899
Attributable to			
Shareholders of the Parent Company	17	21,191,535	9,113,834
<i>Minority shareholders</i>		1,239,715	818,899

(*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 2022. For more details, reference should be made to the paragraph on the "Reclassifications of comparative data" in the explanatory notes.

Consolidated Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	2022	2021
Components that can be reclassified to profit or loss		
Fair value of derivatives, change in the period		63,444
Tax effect related to other comprehensive income that can be reclassified		-15,226
Components that cannot be reclassified to profit or loss		
Actuarial gains (losses) from provisions for employee benefits	2,188,537	-462,804
Tax effect related to other comprehensive income that cannot be reclassified	-525,249	111,073
Total comprehensive income (loss) for the year	24,094,538	9,629,220
Attributable to:		
shareholders of the Parent Company	22,839,048	8,789,121
minority shareholders	1,255,490	840,099

Consolidated Cash Flow Statement

CASH FLOW STATEMENT	NOTE	31/12/2022	31/12/2021
OPENING NET CASH AND CASH EQUIVALENTS	14	45,380,293	66,286,659
Result for the year (A)		22,431,249	9,932,733
Depreciation of property, plant and equipment	30	4,279,080	6,758,573
Amortisation of intangible assets	30	23,379,133	18,261,880
Accrual to provision for bad debts	30	1,037,779	6,141
Accrual to provision for risks	18	7,279,630	9,334,836
Non-monetary adjustments related to changes in equity investments (including effects of valuation at Equity)	32	-1,147,204	-1,339,419
Effect of deferred tax assets/liabilities through profit or loss	34	4,193,573	1,571,130
Provision for current tax	34	3,525,026	2,346,709
Capital (Gains) / Losses from disposals / (contributions)	34	-345,982	-265,095
Financial (Income) / Costs	33	4,901,249	2,932,739
Accrual to the provision for Employee Severance Pay	19		
Other adjustments for non-cash elements		-482,573	-2,485,718
Non-monetary adjustments (B)		46,619,711	37,121,776
Cash flow from current operations (C)=(A)+(B)		69,050,960	47,054,509
(Increase)/Decrease in Inventories	9	-739,722	576,547
(Increase) / Decrease in Trade receivables	10	-7,450,675	-16,765,000
(Increase) / Decrease in Contract assets	7	-35,279,432	
(Increase) / Decrease in Current tax assets	12	0	166,730
Increase / (Decrease) in Current tax liabilities	26	0	-3,026
(Increase) / Decrease in Other current assets	13	-3,176,993	-641,711
Increase / (Decrease) in Trade payables	25	16,295,301	450,819
Increase / (Decrease) in Other current liabilities	27	1,354,095	3,371,783
Other changes			-55,351
Change in Net Working Capital (D)		-28,997,426	-12,899,209
Increase / (Decrease) in Non-current assets	7-8	1,106,874	-1,510,684
(Increase) / Decrease in Non-current liabilities	22-23	961,739	620,787
Interest collected / (paid)	33	-3,767,509	-1,882,130

CASH FLOW STATEMENT	NOTE	31/12/2022	31/12/2021
Change in deferred tax assets / liabilities	34	0	0
Use of Provisions for risks / Provision for Employee Severance Pay	18-19	-6,946,227	-5,510,076
Current tax paid	34	-2,764,150	-125,089
Other operating changes (E)		-11,409,273	-8,407,192
Cash flows from operating activities (G)=(C)+(D)+(E)		28,644,261	25,748,107
(Investments in) Property, plant and equipment	1	-11,811,855	-13,276,336
Disinvestments from Property, plant and equipment	1	2,710,739	358,306
(Investments in) Intangible assets	3	-86,207,469	-39,998,081
Disinvestments from Intangible assets	3	523,943	332,744
(Investments in) Non-current financial assets	4	-8,871,273	-11,325,359
Disinvestments from Non-current financial assets	4	11,947	1,122,013
Dividends collected		1,095,280	
(Acquisition) / net disposals of subsidiaries	4	-2,185,492	-99,772
Cash flows from investing activities (H)		-104,734,180	-62,886,486
Free cash flows (I)=(G)+(H)		-76,089,919	-37,138,378
<i>Financing activities - Borrowed capital</i>			
New loans	20	136,389,223	18,000,000
Repayment of loans	20	-156,040,824	-17,454,551
Increase (decrease) in other short-term financial payables	24	76,470,030	15,686,562
<i>Financing activities - Net worth</i>			
Payments for acquisition of minority interests		0	0
Cash flows from financing activities (J)		56,818,429	16,232,011
Net change in cash and cash equivalents (L)=(I)+(J)	14	19,271,490	20,906,367
CLOSING NET CASH AND CASH EQUIVALENTS	14	26,108,803	45,380,291

Consolidated Statement of Changes in Equity

	Share capital	IFRS FTA reserve	Extraordinary reserve and other revenue reserves	Profit (Loss) for the year	Equity	Of which attributable to minority interests
Balance at 1 January 2021	85,376,852	7,896,006	88,647,734	-5,729,334	176,191,258	17,225,033
Profit (loss) for the year				9,932,733	9,932,733	818,899
Other comprehensive income (loss)			-303,513		-303,513	21,201
Comprehensive income (loss) for the year			-303,513	9,932,733	9,629,220	840,100
<i>Changes with shareholders:</i>					0	
Other changes in consolidation area			-265,124		-265,124	18,733
Allocation of profit (loss) in the previous year			-5,729,334	5,729,334	0	
Capital increase without payment	8,623,148		-8,623,148		0	
Balance at 31 December 2021	94,000,000	7,896,006	73,726,615	9,932,733	185,555,353	18,083,866
Balance at 1 January 2022	94,000,000	7,896,006	73,726,615	9,932,733	185,555,353	18,083,866
Profit (loss) for the year				22,431,250	22,431,250	1,239,715
Other comprehensive income (loss)			1,663,288		1,663,288	15,775
Comprehensive income (loss) for the year			1,663,288	22,431,250	24,094,538	1,255,490
<i>Changes with shareholders:</i>					0	
Allocation of profit (loss) in the previous year			- 9,932,733	9,932,733	0	
Other changes			-482,572		-482,572	
Other changes with minority shareholders			-2,185,492		-2,185,492	-
Capital increase	59,413,910		120,718,278		180,132,188	
Balance at 31 December 2022	153,413,910	7,896,006	203,372,850	22,431,250	387,114,015	17,714,818

Explanatory notes

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

The Alia Servizi Ambientali Group (hereinafter also referred to as the “Group” or “Alia Group”) is a group of companies that manages environmental services such as the collection, treatment and disposal of municipal waste in Central Tuscany.

At the end of 2017, the transitional period ended, which was regulated by the 20-year concession service contract signed by the parent company Alia Servizi Ambientali S.p.A. (hereinafter also referred to as “parent company”, “Alia Spa” or “Alia”) 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, 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 company-owned assets functional to the service were transferred from former operators not incorporated into Alia, such as AER Ambiente, Energia Risorse S.p.A. and COSEA Ambiente S.p.A. to the area operator Alia. These assets were therefore added to the Operator's assets at the residual book value as at the date of transfer.

The Group, particularly through Alia's subsidiaries, also operates in sectors that are complementary to that of the Parent Company; for more details, reference should be made to the information reported below and in the report on operations.

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 Group's Structure

As of **31 December 2021**, the Group was composed as follows:

Parent Company Alia Servizi Ambientali S.p.A.

Subsidiaries

- Programma Ambiente S.p.A. 100% owned
- Programma Ambiente Apuane S.p.A. 80% owned by Programma Ambiente S.p.A.
- Revet S.p.A. 51.00% owned
- Valcofert S.r.l. 83.33% owned

Associates and joint ventures

- Sea Risorse S.p.A. 24% owned
- Vetro Revet S.r.l. 49% owned by Revet S.p.A.
- Al.Be S.r.l. 50% owned
- Real S.r.l. 50.10% owned
- Valdisieve S.c.a.r.l. 25% owned
- Irmel S.r.l. 36% owned

As of **31 December 2022** the Group was composed as follows:

Parent Company Alia Servizi Ambientali S.p.A.

Subsidiaries

- Programma Ambiente Apuane S.p.A. 80% owned
- Revet S.p.A. 55.50% owned
- Valcofert S.r.l. 83.33% owned

Associates and joint ventures

- Sea Risorse S.p.A. 24% owned
- Vetro Revet S.r.l. 49% owned by Revet S.p.A.
- Al.Be S.r.l. 50% owned
- Real S.r.l. 50.10% owned
- Valdisieve S.c.a.r.l. 25% owned
- Irmel S.r.l. 36% owned
- Toscana Energia S.p.A. 20.61% owned.

With regard to the changes that had been reported in the consolidation area at 31 December 2022 compared to 31 December 2021, it should be noted that on 2 May 2022 there was the completion of the merger of Programma Ambiente S.p.A., a wholly-owned subsidiary, by incorporation into the parent company Alia Servizi Ambientali S.p.A., with legal effect from 2 May 2022, backdated to 1 January 2022 for accounting and tax purposes. Furthermore, we must note the acquisition of a stake in associate Toscana Energia S.p.A. for 20.61% of the share capital, equal to Euro 146,214,387. The acquisition took place through the contribution of the Municipal Government of Florence's investment in Toscana Energia S.p.A., as a subscription quota for the capital increase of Alia Servizi Ambientali S.p.A., the related agreement for which was signed by a notarial deed dated 30 December 2022.

The following information is provided as to the activities carried out by subsidiaries.

Revet S.p.A. is the company that owns the industrial hub for the recycling of plastics, glass, aluminium, tinfoil and poly laminate materials of the Tuscany region and its purpose is to maximise the value of these materials for the benefit of the person transferring the waste, i.e. of the informed citizen. It is a Hub of materials ready to be reused in the industrial chains that possibly operate in the region.

Programma Ambiente Apuane S.p.A. is the company that operates a landfill site for non-hazardous inert waste and asbestos cement products.

Valcofert S.r.l. operates in the sector of products for soil and agriculture. It is engaged in the production and sale of soil improvers, fertilizers and compost in general, deriving from organic matrices coming from waste sorting.

Among associates and joint ventures note:

- Irmel S.r.l.: operates treatment and waste-to-energy plants for inert waste from construction in the provinces of Pistoia and Florence, respectively.
- Sea Risorse S.p.A.: operates in the waste sector in two municipal districts of the Versilia area. Its business includes the collection and transport of sorted waste, the operation of waste-to-energy plants, the recovery of industrial waste and the maintenance of public green areas.
- 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 during 2022.
- Real S.r.l.: was established in a 49.90% partnership with RELIFE S.p.A. on 4 November 2019. Its business consists of the collection, processing, sorting, transformation and storage of waste paper. The Company has considered that the partnership agreement that is currently in place with its partner Relife S.p.A. falls within the scope of joint ventures.
- Valdisieve Società Consortile: the 25% quota is held directly by Alia Servizi Ambientali S.p.A.. It is the holding company of entities operating in the waste sector.
- Vetro Revet S.r.l.: is an associated company that is 49% directly owned by Revet S.p.A.. It operates in the sorting and transformation of glass so that it can result as a raw material for the glassware recycling chain.
- Toscana energia S.p.A.: is an associated company that 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.

The companies included in the consolidation area are located in Tuscany and operate waste management, collection, treatment and disposal services.

CONSOLIDATED FINANCIAL STATEMENTS

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

These 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, according to the engagement granted by the Shareholders' Meeting resolution held on 16 February 2017 for the nine-year period 2017-2025.

FINANCIAL STATEMENT SCHEDULES

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

- Consolidated Statement of financial position
- Consolidated Income statement
- Consolidated Statement of Comprehensive Income
- Consolidated Cash Flow Statement
- Consolidated Statement of Changes in Equity

Alia Servizi Ambientali S.p.A. 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 Parent 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.

In order to report additional information on the results of operations, the Group 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 Group 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.

2) CONSOLIDATION PRINCIPLES

The companies are consolidated on a line-by-line basis, which consists of incorporating all the asset and liability items in their entirety. The main consolidation criteria adopted for the application of this method are shown below.

- Subsidiaries are consolidated from the date on which control was effectively transferred to the Group, and cease to be consolidated on the date on which control is transferred outside the Group.
- The assets and liabilities, costs and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements; the book value of investments in subsidiaries is derecognised against the related equity, in consideration of the assumption of the investees' assets and liabilities according to the line-by-line consolidation method; control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; the acquisition of a subsidiary is accounted for using the acquisition method. The cost of acquisition is determined by the sum of the fair values, at the date control is obtained, of the assets given, the liabilities incurred or assumed, and the financial instruments issued by the Group in exchange for control over the acquiree.
- 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.

- Once control is acquired over the investee, any purchase of additional shares or quotas is accounted for by recognising the difference between the price paid and the value of the corresponding share of the investee's net worth for accounting purposes directly as a reduction in consolidated equity. Likewise, if the disposal of an investment does not result in a loss of control, any capital gain or loss is recognised directly in equity and subsequently transferred to profit or loss only when control of the investee ceases to exist.
- The results of operations of subsidiaries acquired or sold during the financial period are included in the consolidated income statement as from the effective date of acquisition until the effective date of disposal.
- The mutual debt and credit, cost and revenue relationships between consolidated companies and the effects of all significant transactions between them are derecognised.
- The shares of equity and the results for the period attributable to minority shareholders are shown separately in consolidated equity and income statement: this interest is determined on the basis of the percentage held by them in the fair values of assets and liabilities recognised at the date of original acquisition and in changes in equity after that date.
- Subsequently, profits and losses are attributed to minority shareholders based on the percentage held by them and losses are attributed to the minorities even if this implies that the minority interests have a negative balance.
- If the parent company loses control over a subsidiary, it:
 - derecognises assets (including any goodwill) and liabilities of the subsidiary,
 - derecognises the book values of any minority interest in the former subsidiary,
 - recognises the fair value of the consideration received,
 - recognises the fair value of any interest held in the former subsidiary,
 - recognises any profit or loss in the income statement,
 - reclassifies the parent company's share of the components previously recognised through comprehensive income, profit or loss or as profits carried forward, as appropriate.

Consolidation area

The consolidated financial statements at 31 December 2022 included the financial statements of the Parent Company Alia, as well as those of the companies over which it holds control, directly or indirectly.

Control is acquired when the parent company is exposed or has rights to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its own power over the investee. Specifically, the investor acquires control when it has:

- power over the investee (i.e. the investor has existing rights that give it the ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Generally, there is a presumption that the majority of voting rights entails control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- Contractual arrangements with other holders of voting rights;
- Rights arising from contractual arrangements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it retains control over an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements used to define control.

The consolidated financial statements have been prepared based on the economic and financial information at 31 December 2022 prepared by the companies included in the consolidation area and adjusted, where necessary,

for the purpose of bringing them into line with the accounting standards and classification criteria applied by the Group in accordance with IFRS.

Associates and joint ventures reported in paragraph 1 above of this note are consolidated using the equity method.

3) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated 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 consolidated 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 Parent Company Alia and the Group have the ability to fulfil their 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. Revaluations are not permitted, even though in application of specific laws.

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 were set out only for the Parent Company.

Therefore, the useful lives adopted in preparing the 2022 Financial Statements are confirmed for the Parent Company in 2021.

Below is the scheme showing the (minimum and maximum) rates used for any different type of tangible assets):

DESCRIPTION	DEPRECIATION RATES
Civil and industrial buildings	2.50% - 3%
Light-weight constructions	10% - 14.29%
Landfill - operating machines and mechanical shovels	6.67%
Landfill- other systems	6.67%
Sorting and composting plant - pre-treatment	8.33%
Sorting and composting plant - composting and anaerobic digestion	5.00%
Sorting and composting plant -biogas and leachate collection and processing	4.00%
Sorting and composting plant - other systems	6.67%
Other systems	10.00% - 15.50%
PV plant	10.00%
Miscellaneous and small workshop equipment	14.29% - 25%
Other miscellaneous and small equipment	10% - 14.29%
Motor vehicles	12.50% - 20%
Cars	20.00% - 25%
Miscellaneous door-to-door collection equipment	20.00%
Dumpsters	12.50%
Bell-shaped containers	12.50%
Bins	20.00%
Office furniture and ordinary machines	12% 14.29%
Electromechanical office machines	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 amortisation rates of other intangible assets (other than concession rights) are reported in the table below.

DESCRIPTION	AMORTISATION RATES
Intangible assets	14.29% - 20%

Impairment

At each reporting date, the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 associates and joint ventures

These are stated among non-current assets and are valued according to 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 Group 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.

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 Group's share of the investee's profits or losses realised after the date of acquisition. The Group'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, in addition to goods for resale and finished products (recycled plastic granule) 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

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 Group measures any impairment or write-downs of receivables using an Expected Loss method. As regards trade receivables, the Group 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 Group 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.

Derivatives

The Group's assets are primarily exposed to financial risks arising from changes in interest rates. The Group uses derivatives to hedge any risk arising from changes in interest rates in certain irrevocable commitments and forecasted future transactions.

Derivatives are initially recognised at fair value, consisting of the initial consideration and adjusted at fair value at each subsequent closing date. Derivatives are used solely for hedging purposes, in order to reduce exchange, interest rate and market price risks. Derivatives may be accounted for according to the hedge accounting method only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is presumed to be highly effective, its effectiveness can be measured reliably and the hedge is highly effective during the various accounting periods for which it is designated. When financial instruments qualify for hedge accounting, the following accounting treatments are applied:

Cash flow hedge: if an instrument is designated as a hedge of the exposure to changes in cash flows of a recognised asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of gains or losses on the financial instrument is recognised in the Statement of comprehensive income. The cumulative gain or loss is reversed from the Statement of comprehensive income and accounted for in the income statement in the same period in which the hedged transaction is recognised. Any gain or loss associated with a hedge or that part of a hedge that has become ineffective is recognised immediately in the Income Statement. If a hedging instrument or a hedging relationship is terminated, but the hedged transaction has not yet taken place, any cumulative gains and losses, recognised in Equity up to that time, are recognised in the Income Statement when the related transaction takes place. If the hedged transaction is no longer regarded as probable, any unrealised gains or losses deferred in the Statement of comprehensive income are recognised immediately in the Income statement.

If hedge accounting cannot be applied, any gains or losses arising from the measurement of the derivative at its present value are recognised immediately in the Income Statement.

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 accruals 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 Group 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 Group 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 Group may identify the rights of each party with respect to the goods or services to be transferred;
- c) the Group 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 Group 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 Group 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 Group 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 Group delivers services to users over a given period of time.

Other revenues

Revenues from other services rendered by the Group 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 Group 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 Group 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 Group 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 charges 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 charges 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 the provisions 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 accruals 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 the breakdown, 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 Group 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 Group 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 Group management. The Group 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 Group 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 updated valuation report which is prepared by third-party experts 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 Group 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 Group. 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 Group 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 435 thousand deriving from subsidiary Revet from “Other operating revenues” to “Other income”;
- an amount of Euro 11,751 thousand from “Concession rights” (Euro 1,327 thousand) and from “Property, plant and equipment” (Euro 10,424 thousand) to “Rights of use”;
- an amount of Euro 6,540 thousand from “Non-current financial liabilities” to “Non-current financial liabilities for rights of use”;
- an amount of Euro 1,772 thousand from “Current financial liabilities” to “Current financial liabilities for rights of use.”

The Group believes that these changes in the 2022 figures are not significant.

New accounting standards, amendments and interpretations applied 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 Group's consolidated 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 Group 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.

4) 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	PROPERTY, PLANT AND EQUIPMENT
VALUES AT 31.12.2021						
Gross Value	52,153,748	34,658,385	2,508,690	2,054,812	5,763,024	97,138,658
Accumulated depreciation	-15,023,823	-11,819,328	-441,733	-1,814,568	-	-29,099,452
NET BALANCE AT 31.12.2021	37,129,925	22,839,057	2,066,957	240,243	5,763,024	68,039,206
NET CHANGES FOR FY 2022						
RECLASSIFICATIONS OF GROSS VALUE AT 01.01.2022	-473,661	-821,535	-245,811	-332,783	-	-1.873,789
RECLASSIFICATIONS OF ACCUMULATED DEPRECIATION AT 01.01.2022	107,982	818,915	237,996	282,036	-	1,446,928
CHANGES FROM PURCHASES	2,379,773	2.414,374	1,729,942	45,962	5,241,804	11,811,855
TRANSFERS FOR RECLASSIFICATIONS	925,625	6.267,493	39,168	-	-7,232,285	-
DECREASES	-55,762	-586,954	1,586,907	-67,039	-1,559,646	-682,494
DISPOSAL OF ACCUMULATED DEPRECIATION	-	-421,615	-1,673,645	67,015	-	-2,028,245
2022 DEPRECIATION	-910,885	-2.690,773	-550,426	-126,996	-	-4,279,080
Gross value	54,929,722	41,931,763	5,618,897	1,700,952	2,212,896	106,394,229
Accumulated depreciation	-15,826,726	-14,112,801	-2,427,809	-1,592,513	-	-33,959,850
NET BALANCE AT 31.12.2022	39,102,996	27,818,962	3,191,088	108,438	2,212,896	72,434,380

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").

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.

During 2022, the main capitalisations concerning the item of “buildings” carried out by the Parent Company 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 di 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.

Again, with regard to the item of “plant”, the Parent Company made investments in 2022 for 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 Passeri for an amount of about Euro 32,240,000.

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

In 2022 works continued on the renovation of the Case Passerini plant for an amount of about Euro 3,065,900 and the construction of the new treatment line at the Paronese plant (Prato) for Euro 759,000.

We must also note works for the new premises in Sibille/Calatrini for an amount of Euro 998,220 and works at the collection site in Barberino, località Pian della Fonda, which will be completed in 2023 with an amount of Euro 580,390.

Worthy of note is the acquisition of a property for office use located at Via Nigetti in Florence for Euro 561,300.

The main investments made by Revet S.p.A. in 2022 concerned the completion of the industrial revamping of the secondary sorting centre, with the replacement of the new-generation optical sorting machines; for the recycling department, the entry into full operation of the new production line started in July 2021 and the upgrade of the water treatment section; and finally, the development of logistics by strengthening the fleet of robotic crane vehicles and of the operating site (“bell-shaped containers”) in order to expand automated collection services for operators in Tuscany and optimise the transport system for sending collected waste for recovery, making it more sustainable from an economic and environmental point of view.

At the end of the year the Company decided to write down the old plastic granule production line for Euro 871,101 due to its non-use and the full commissioning of the new production line.

During 2022, too, Revet made investments that allowed the Company to benefit from the tax concessions prescribed by the regulations on “Industry 4.0”.

Rights of use

Rights of use mainly relate to collection vehicles and equipment and company cars. The detailed information relating to the rights of use in place, included among property, plant and equipment, is reported below.

DESCRIPTION	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	TOTAL RIGHTS OF USE
VALUES AT 31.12.2021					
Gross value	1,974,008	7,934,734	5,751,952	360,356	16,021,050

DESCRIPTION	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	TOTAL RIGHTS OF USE
Accumulated depreciation	-313,280	-539,532	-3,141,741	-275,743	-4,270,296
NET BALANCE AT 31.12.2021	1,660,728	7,395,202	2,610,210	84,613	11,750,753
NET CHANGES FOR FY 2022					
CHANGES FROM PURCHASES	-	265,035	3,772	667,111	935,918
DECREASES	-	-	-1,920,668	-	-1,920,668
DISPOSAL OF ACCUMULATED DEPRECIATION	-	-	1,914,391	-	1,914,391
2022 DEPRECIATION	-337,297	-819,977	-849,554	-68,628	-2,075,456
VALUES AT 31.12.2022					
Gross value	1,974,008	8,199,770	3,835,055	1,027,467	15,036,300
Accumulated depreciation	-650,577	-1,359,509	-2,076,904	-344,370	-4,431,360
NET BALANCE AT 31.12.2022	1,323,431	6,840,261	1,758,151	683,096	10,604,939

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 27 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

BASIC SERVICES	
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	11,979,929
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	210045,178	500,038,962	-276,222,457	50,355,774	274,172,280

DESCRIPTION	CONCESSION RIGHTS	ASSETS UNDER CONSTRUCTION	TOTAL CONCESSION RIGHTS
VALUES AT 31.12.2021			
Gross value	463,895,211	18,957,116	482,852,328
Accumulated depreciation	-272,807,149	-	-272,807,149
NET BALANCE AT 31.12.2021	191,088,063		210,045,179
CHANGES FOR FY 2022			
RECLASSIFICATION OF GROSS VALUE AT 01.01.2022	3,245,095	-	3,245,095
RECLASSIFICATION OF ACCUMULATED DEPRECIATION AT 01.01.2022	-2,840,729		-2,840,729
CHANGES FROM PURCHASES	40,139,340	44,802,700	84,942,039
TRANSFERS FOR RECLASSIFICATIONS	13,373,918	-13,373,918	-
DECREASES	-20,614,602	-30,123	-20,644,725
DISPOSAL/RECLASSIFICATION OF ACCUMULATED DEPRECIATION	20,484,541	-	20,484,541
2022 DEPRECIATION	-21,059,119	-	-21,059,119
VALUES AT 31.12.2022			
Gross value	500,038,962	50,355,775	550,394,737
Accumulated depreciation	-276,222,457	-	-276,222,457
NET BALANCE AT 31.12.2022	223,816,506	50,355,775	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:

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

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

With regard to "Concessions, trademarks and similar rights", the Parent 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

At 31 December 2022 these amounted to Euro 85,609,150 and were stated in accordance with the provisions of IFRIC 12

3) Other intangible assets

The Group holds goodwill of Euro 250 thousand arising from the acquisition of Revet S.p.A. on the part of the parent company. As required by international standards, goodwill has not been amortised. This is placed on the Revet CGU, to be understood as a company as a whole. No evidence of impairment loss of the intangible asset was reported at the end of the year.

DESCRIPTION	DEVELOPMENT COSTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	GOODWILL	OTHERS	ASSETS UNDER DEVELOPMENT	TOTAL OTHER INTANGIBLE ASSETS
VALUES AT 31.12.2021						
Gross value	212,503	1,206,078	250,481	2,402,549	11,500	4,083,111
Accumulated amortisation	-143,895	- 559,699	-	- 2,397,275	-	- 3,100,869
NET BALANCE AT 31.12.2021	68,608	646,379	250,481	5,275	11,500	982,242
CHANGES FOR FY 2022						
RECLASSIFICATION OF GROSS VALUE AT 01.01.2022	-	34,781	-	- 296,131	-	- 261,350
RECLASSIFICATION OF ACCUMULATED AMORTISATION AT 01.01.2022	-	- 7,012	-	290,856	-	283,845
CHANGES FROM PURCHASES	-	76,869	-	-	252,644	329,513
DECREASES	-	-	-	-	- 11,500	- 11,500
2022 DEPRECIATION	- 40,924	- 203,634	-	-	-	- 244,558

DESCRIPTION	DEVELOPMENT COSTS	CONCESSIONS, TRADEMARKS AND SIMILAR RIGHTS	GOODWILL	OTHERS	ASSETS UNDER DEVELOPMENT	TOTAL OTHER INTANGIBLE ASSETS
VALUES AT 31.12.2022						
Gross value	212,503	1,317,728	250,481	2,106,418	252,644	4.139,773
Accumulated amortisation	- 184,819	- 770,345	-	- 2,106,418	-	- 3.061,582
NET BALANCE AT 31.12.2022	27,684	547,382	250,481	-	252,644	1,078,191

With regard to subsidiary Revet, the development work included in the financial statements concerned the development and qualification of innovative materials, deriving from post-consumption or from qualified waste from industrial supply chains.

Assets under development relate to two innovative projects in progress, the first one relating to the plant engineering structure of specific units and the other one to innovations introduced at the water purification and recovery plant.

For more details, reference should be made to the report on operations.

4) Equity investments

The value of equity investments amounted to Euro 204,617 thousand, of which Euro 182,694 thousand in associates while non-qualified investments amounted to Euro 21,924 thousand, as reported below.

Description	Balance at 31 12 2022	Balance at 31 12 2021
Equity-accounted investments in associates and joint ventures	182,693,702	7,841,579
Other equity Investments	21,923,695	8,730,672
TOTAL	204,617,397	16,572,251

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:

GENERAL DETAILS							
Company name	IRMEL SRL	AL.BE SRL	SEA RISORSE SPA	REAL SRL	TOSCANA ENERGIA SPA	VALDISIEVE SCRL	VETRO REVET SRL
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	EMPOLI - VIA VIII MARZO

GENERAL DETAILS								
Company name	IRMEL SRL	AL.BE SRL	SEA RISORSE SPA	REAL SRL	TOSCANA ENERGIA SPA	VALDISIEVE SCRL	VETRO REVET SRL	
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	EMPOLI - VIA VIII MARZO	
Ownership percentage held by the Company	36%	50%	24.00%	50.10%	20.61%	25.00%	49.00%	
Sharing of voting rights held by the Company	36%	50%	24.00%	50.10%	20.61%	25.00%	49.00%	
ALIA BALANCE SHEET VALUES								TOTAL
Value at 31.12.2021	400,697	3,065,350	598,839	2,877,476	0	300,783	598,434	7,841,579
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	183,822	1,175,605
Value at 31.12.2022	461,649	10,534,341	507,258	2,835,617	167,274,071	298,510	782,256	182,693,702

These investments, as described in the introduction, are measured using the equity method.

The main investments in associates are:

- Toscana Energia S.p.A.: the associated 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.
- 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.
- Sea Risorse S.p.A. operates sorted waste collection in two municipal districts of the Versilia area.
- REAL S.r.l.: this joint venture 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.
- Valdisieve Società consortile: is a holding company that controls companies operating in the waste sector.

- Vetro Revet S.r.l.: is 49% held directly by Revet S.p.A.. It operates in the sorting and transformation of glass so that it can result as a raw material for the glassware recycling chain.

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 146,214,387.00. 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 Servizi Ambientali S.p.A., the related agreement for which was signed by a notarial deed dated 30 December 2022.

Other equity investments

Non-qualified investments amounted to Euro 21,923,695: the main items 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 S.p.A. 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.

5) Non-current financial assets

Below are the non-current financial assets:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Guarantee deposits	1,241,075	242,783	998,292
TOTAL	1,241,075	242,783	998,292

The balance at 31 December 2022 was Euro 1,241 thousand, and related in full to guarantee deposits.

6) Deferred tax assets and liabilities

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 losses and provisions for employee benefits.

Tax losses will be recovered through the taxable income that the Company will generate during the period of the concession term, as they can also be inferred, as regards the Parent Company, from the long-term plan for the 2022-2031 period, as approved by the Company's Board of Directors on 22 June 2022 and updated on 26 September 2022, which was confirmed by the final results recorded for 2022 and in the 2023 Budget approved by the Parent Company's Board of Directors on 20 December 2022, and, for the other Group's companies, by the related expected positive tax results.

Deferred tax assets reported in the statement of financial position (equal to Euro 10,679 thousand) include the balance arising from OCI changes for Euro 150 thousand.

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 equal to Euro 10,678,621 and deferred tax liabilities equal to Euro 4,599,852.

Below is a breakdown of deductible and taxable temporary differences:

	BALANCE SHEET ITEMS	BALANCE OF TAX ASSETS AND LIABILITIES 31/12/2021	TEMPORARY DIFFERENCES 31/12/2022	DEFERRED IRES TAX ASSETS/LIABILITIES 31/12/2022 (A)	DEFERRED IRAP TAX ASSETS/LIABILITIES 31/12/2022 (B)	BALANCE OF DEFERRED TAX ASSETS AND LIABILITIES 31/12/2022 (A+B)
ALIA (PARENT COMPANY)	Fixed assets	-3,793,221	-11,648,087	-2,795,541	-596,382	-3,391,923
	Provision for bad debts	3,986,003	16,326,812	3,918,435		3,918,435
	Productivity	989,453	4,300,403	1,032,097		1,032,097
	Litigation risks	692,713	1,973,297	473,591	101,033	574,624
	Employee Severance Pay	12,706	118,155	28,357		28,357
	Tax losses from previous years	6,583,832	5,260,704	1,262,569		1,262,569
	Vaiano landfill	356,078	1,281,941	307,666	65,635	373,301
	Vigiano landfill	1,592,656	5,987,190	1,436,926	306,544	1,743,470
	Case Passerni landfill	-1,570,990	-4,148,108	-995,546	-212,383	-1,207,929
	Provision for maintenance risks	132,912	743,342	178,402	38,059	216,461
	Receivables for deferred tax assets -OCI	652,352	576,243	138,298		138,298
	Provision for bad debts on loans	14,078	119,135	28,592		28,592
PROGRAMMA AMBIENTE APUANE	Provision for bad debts	117,310	488,794	117,311		117,311
	Montignoso landfill	155,620	840,977	201,834	40,535	242,370
REVET	Fixed assets	622,416	2,515,000	603,600	121,223	724,823
	Provision for bad debts	27,552	114,802	27,552		27,552
	Provision for inventory write-down	1,534	0	0		0
	Litigation risks	32,670	468,933	112,544	22,603	135,146
	Employee Severance Pay	3,551	0	0	0	0
	Tax losses	218,382	32,831	7,879		7,879
	Provision for risks on employee bonuses	76,800	400,000	96,000		96,000
	Lease debt	26,273	0	0		0
	Receivables for deferred tax assets-OCI on Employee Severance Pay	22,529	47,224	11,334		11,334
	Other minor items	0				0
	TOTAL	10,953,211	25,799,588	6,191,901	-113,133	6,078,768

	DEFERRED IRES TAX ASSETS	DEFERRED IRES TAX LIABILITIES	DEFERRED IRAP TAX ASSETS	DEFERRED IRAP TAX LIABILITIES
ALIA	8,804,933	-3,791,087	511,271	-808,765
VALCOFERT	0	0	0	0
PROGRAMMA AMBIENTE APUANE	319,145		40,535	
REJET	858,910		143,826	
GROUP	9,982,988	-3,791,087	695,632	-808,765

7) Current and non-current contract assets

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 Amort. 2021 (Euro 16.2 million) and Amort. 2022 (Euro 19.1 million) tariff component, respectively.

Furthermore, reference should be made to the information provided in note 27 “Revenues.”

8) Other non-current assets

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
IRAP tax credit (ACE) beyond 12 months	75,031	153,169	-78,138
Prepaid expenses	1,326,323	1,144,191	182,132
Tax credits beyond 12 months	1,077,112	2,611,029	-1,533,917
Others	323,049		323,049
TOTAL	2,801,515	3,908,389	-1,106,874

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.

Tax credits beyond 12 months include a tax credit amounting to Euro 985 thousand recognised by subsidiary Rejet S.p.A. against investments in tangible assets that are functional to the technological and digital transformation of businesses according to the “Industry 4.0” model.

9) Inventories

The table below shows changes in inventories:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Raw Materials, Supplies and Consumables	4,246,291	3,758,289	488,002
Work in progress and Semi-finished products	13,421	22,782	-9,361
Finished products and Goods for resale	648,681	387,600	261,081
TOTAL	4,908,393	4,168,671	739,722

Inventories, amounting to Euro 4,908 thousand, mainly consisted of spare parts and equipment for the maintenance and running of the plants in operation.

Finished products include the granule obtained from recycled mixed plastic and compost and fertilizers.

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	151,153,246	144,898,303	6,254,943
Provision for Bad Debts	-18,605,048	-18,140,472	-464,576
TOTAL	132,548,198	126,757,831	5,790,367

The balance of trade receivables, amounting to Euro 132,548 thousand, 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 2.8 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	Change in consolidation area	Increases	Uses	31/12/2022
Provision for Bad Debts	18,140,472	-766,078	1,751,010	520,357	18,605,048

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	
151,153,246	4,005,980	2,785,029	2,395,428	7,061,833	134,904,976

11) Equity investments

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Investments held for sale		1,770	-1,770
TOTAL	0	1,770	-1,770

12) Current tax assets

Below is the breakdown of current tax assets:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
IRES tax advances	405,824	72,587	333,238
IRAP tax advances	125,175	203,641	-78,466
Withholding tax receivables from Tax Office	29,666	22,509	7,157
IRAP tax receivables	0	3,985	-3,985
TOTAL	560,666	302,723	257,944

The balance at 31 December 2022, equal to Euro 560,666 mainly consisted of IRES (Corporate Income) and IRAP (Regional Production Activity) tax advances, for amounts in excess of the debt calculated at the end of the year.

13) Other current assets

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
VAT tax receivables from Tax Office	0	433,845	-433,845
Receivable from Tax Office for VAT refund	418	418	0
Receivable for IRAP tax refund	0	810	-810
Other Receivables	6,491,443	4,737,217	1,754,226
Accrued income	1,881	3,502	-1,621
Prepaid expenses	3,012,286	1,506,101	1,506,185
Withholding tax receivables from Tax Office	27	146	-119
TOTAL	9,506,055	6,682,038	2,824,016

The balance at 31 December 2022, amounting to Euro 9,506 thousand, related to Other receivables for Euro 6,491 thousand, of which an amount of Euro 1,600 thousand is claimed from ATO for grants to be received and an amount of Euro 2,697 thousand related to the tax credit received from subsidiary Revet against investments in capital goods to be used for the conduct of the business, according to the "Industry 4.0" model. Prepaid expenses mainly relate to surety policies.

14) 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	24,853,028	44,904,415	-20,051,387

Postal accounts	1,247,459	465,362	782,097
Money and Cash on hand	8,316	10,517	-2,201
TOTAL	26,108,803	45,380,293	-19,271,490

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 84,942 million) and equity investments (Euro 7,861 million);
- Net inflows generated by operating activities for Euro 28,776 million;
- Net inflows generated by financing activities in the amount of Euro 16,232 million, relating to the subscription of the new bond and Capex facility.

5) EXPLANATORY NOTES TO EQUITY AND LIABILITY ITEMS

15) Share capital

The share capital of Alia Servizi Ambientali S.p.A., amounting to Euro 153,413,910, is divided into 153,413,910 ordinary shares with a value of Euro 1.00, wholly subscribed and paid-up; no treasury shares are held.

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

16) Reserves

The table below shows the breakdown of reserves:

Description	Balance at 31/12/2021	Changes in consolidation area	Allocation of the previous year's result	Other changes for the year	Balance at 31/12/2022	Possible use (*)
<i>Share premium reserves</i>	9,547,445	-2,141		126,178,234	135,723,538	A,C
Total Share premium reserve	9,547,445	-2,141	0	126,178,234	135,723,538	
<i>Legal reserve</i>	1,848,130	-867,459	1,291,230		2,271,901	C
<i>Extraordinary reserve</i>	0	-11,071,679		40,361,377	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	1,034,472		-1,034,472	355,229	A,B,C
<i>Other reserves</i>	17,495,848	-5,039,304		15,465,736	27,922,280	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

Description	Balance at 31/12/2021	Changes in consolidation area	Allocation of the previous year's result	Other changes for the year	Balance at 31/12/2022	Possible use (*)
<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
Total Extraordinary reserve and other revenue reserves	64,179,170	-15,943,970	1,291,230	18,122,882	67,649,311	
Total reserves	73,726,615	-15,946,111	1,291,230	144,301,116	203,372,849	
IFRS FTA reserve	7,896,006				7,896,006	A,C

Reconciliation between the parent company's operating result and equity

The table below shows a reconciliation between the parent company's operating result and equity and related consolidated values at 31 December 2022:

	Equity at 31.12.2022	Profit (loss) at 31.12.2022
Balances as per the financial statements of the Parent Company	367,577,677	20,649,537
Equity of Subsidiaries	40,362,334	2,380,320
Derecognition of the carrying amount of equity investments	-19,524,087	-
Other Adjustments	-1,301,908	-598,607
Balances as per the consolidated Financial Statements of the Alia Group	387,114,015	22,431,250
Of which Minority interests	17,714,818	1,239,715

17) Minority interests

Share/quotaholders of:	Equity attributable to minority interests	Net profit (loss) attributable to minority interests	Net OCI result attributable to minority interests	TOTAL Net profit (loss) attributable to minority interests
Programma Ambiente Apuane SpA	317,322	-148,989		
Revet spa	16,134,916	1,387,483	15,775	
Valcofert	22,866	1,221		
TOTAL	16,475,103	1,239,715	15,775	1,255,491

18) Provisions for risks and charges

Below is the breakdown of the item:

DESCRIPTION	Case Passerini	Vaiano landfill	Vigiano landfill	Apuane landfill	Other risks	Provision for risks from non-routine maintenance (IFRIC 12)	TOTAL
Value at 31/12/2021	17,068,659	1,548,668	5,972,841	7,783,725	10,018,901	456,430	42,849,224
Provisions					5,371,053	286,912	5,657,965
Adjustment to Provision	1,092,714	48,835	480,116				1,621,665
Financial costs (income)	154,061	10,312	37,790	866,365			1,068,528
Uses	-32,849	-50,928	-193,440		-4,863,250		-5,140,467
Value at 31/12/2022	18,282,585	1,556,887	6,297,307	8,650,090	10,526,704	743,342	46,056,915

The balance of provisions for risks and charges was Euro 46,057 thousand.

The effect was mainly related to the combination process highlighted in the introduction to this explanatory note.

The balance at the end of the year mainly included:

- Post-landfill management provision for Euro 34,787 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-management 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 10,526 thousand. This item has been recorded to cover future and possible risks related to pending disputes (for Euro 19 thousand); the provision under consideration also includes accruals of about Euro 3.1 million in relation to proceedings RG (General Register) no. 1987/2016; for more details, reference should be made to the paragraph on "Main pending litigation" in the explanatory notes to the Separate Financial Statements. An amount of Euro 4,300 thousand was also allocated for productivity bonuses payable to employees.
For more details on pending disputes, reference should be made to the paragraph on the "Main litigation" of the explanatory notes to the Separate Financial Statements.
- 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.

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 +2,202 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 -3,313 thousand.

Finally, the potential effect on the Provisions relating to post-closure operation of landfills in terms of increase, as a result of an alleged increase of 5% in expected future outlays, should be equal to Euro 992 thousand.

19) 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:

<i>DESCRIPTION</i>	<i>PROVISION</i>
VALUE AT 31/12/2021	16,373,473
Change in consolidation area	-233,209
Provisions	514,801
Uses	-2,066,059
Other Changes	-21,294
Actuarial (Gain) / Loss	-2,188,537
Interest Cost	65,212
VALUE AT 31/12/2022	12,444,388

The item, amounting to Euro 12,444 thousand, includes the actuarial valuation of 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	Alia Spa		Revet Spa	
	% rate used for FY 2022	% rate used for FY 2021	% rate used for FY 2022	% rate used for FY 2021
Inflation rate	2.30%	1.75%	2.30%	1.75%
Annual discount rate	3.63%	0.44%	3.63%	0.98%
Annual rate of overall pay increases	3.23%	2.81%	3.23%	2.81%
Annual frequency of leaving work for reasons other than death	1.00%	1.00%	5.00%	5.00%

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

20) Non-current financial liabilities

The breakdown is reported below:

Description	Balance at 31/12/2022			Balance at 31/12/2021			Change
	Current	Non-current	Total	Current	Non-current	Total	
Bonds	108,714	94,461,912	94,570,626	10,988,644	34,897,383	45,886,027	48,684,599
Payables to banks	20,461,866	68,848,258	89,310,124	49,507,225	30,417,584	79,924,809	9,385,315
Financial liabilities to banks	20,570,580	163,310,170	183,880,750	60,495,869	65,314,967	125,810,836	58,069,914
Financial liabilities for rights of use	1,920,058	5,140,365	7,060,423	1,772,045	6,539,862	8,311,907	-1,251,485
Total financial liabilities	22,490,638	168,450,535	190,941,173	62,267,914	71,854,829	134,122,743	56,818,430

Below are the changes in payables to banks for loans:

Description	31/12/2021	New loans	Repayments	Reclassifications	Other changes	31/12/2022
Non-current financial liabilities	65,314,967	136,389,223	-34,584,910	-2,739,396	- 1,069,713	163,310,171
Current financial liabilities						
Bank (short-term financial) overdrafts	40,303,818	79,850,000	- 107,756,842		119,175	12,516,150
Current portion of non-current debt	20,192,052		-18,812,924	7,525,838	850,536	8,054,430
Total current financial liabilities	60,495,870	79,850,000	- 126,569,766	7,525,838	731,361	20,570,581
Total financial liabilities to banks	125,810,837	216,239,223	- 161,154,676	4,786,442	1,801,074	183,880,752

Payables to banks: the balance also includes amounts due to banks for the medium- and long-term portion (equal to Euro 67,336 thousand). The information on the main outstanding financial liabilities is reported below.

Bond: the Parent 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% ("2017 Bond"); 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 Parent 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 bond issues 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 Group's balance sheet values. It should be noted that the index 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 Group 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 Parent 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	26,108,803	45,380,293	-19,271,490
B. Cash equivalents			0
C. Other current financial assets			0
D. Liquidity (A + B + C)	26,108,803	45,380,293	-19,271,490
E. Current financial debt	12,516,150	40,303,818	-27,787,668
F. Current portion of non-current financial debt	10,927,821	22,917,430	-11,989,609
G. Current financial debt (E + F)	23,443,971	63,221,248	-39,777,276
H. Net current financial debt (G - D)	-2,664,832	17,840,954	-20,505,786
I. Non-current financial debt	73,988,623	36,957,446	37,031,177
J. Debt instruments	94,461,912	34,897,383	59,564,529
K. Trade payables and other non-current payables	4,480,000	5,433,333	-953,333
L. Non-current financial debt (I + J + K)	172,930,535	77,288,162	95,642,373
M. Total financial debt (H + L)	170,265,703	95,129,116	75,136,587

21) Other non-current liabilities

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Deferred income beyond 12 months	7,746,677	6,611,994	1,134,682
Payables to Publiservizi SpA	1,080,000	1,200,000	-120,000
Provincial Tax	501,171	507,106	-5,935
Other payables	9,916	56,925	-47,009
Guarantee deposits	270,610	270,610	0
TOTAL	9,608,374	8,646,635	961,739

The Provincial Tax Debt consists of the amount to be paid for this purpose on TIA tariff bills collected during the year.

The payable for guarantee deposits received from Programma Ambiente Apuane came to Euro 269 thousand.

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	3,117,406	4,629,271

22) 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

In the 2022 financial statements the balance of “Payables to suppliers due beyond 12 months” amounted to Euro 3,400,000. This item refers to the Parent Company’s payable to third party suppliers for the instalment payment of the acquisition of the Montignoso landfill, which took place during 2018.

23) Current financial liabilities

As regards the table of breakdown of changes, reference should be made to note 20 of these explanatory notes. The balance at 31 December 2022 amounted to Euro 22,490,637 (Euro 62,267,914 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, and to positions for which the banks may demand payment at sight.

24) Trade payables

The table below shows the total and breakdown of trade payables:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Payables to suppliers	111,465,675	95,858,356	15,607,319
Payables to associates and joint ventures	2,200,752	682,670	1,518,082
Payables to entities controlled by parent companies	30,239	27,007	3,232
TOTAL	113,696,666	96,568,033	17,128,634

The balance of Euro 113,697 thousand mainly includes trade payables to third-party suppliers of Euro 111,466 thousand.

25) Current tax liabilities

Current tax liabilities are broken down in the table below:

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
IRES tax payables	1,291,665	56,117	1,235,548
IRAP tax payables	1,038,680	1,422,773	-384,093
Other tax payables		343,002	-343,002
TOTAL	2,330,345	1,821,892	508,453

The debt positions illustrated above relate to the Group's tax payables due within 12 months.

26) Other current liabilities

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
VAT payables to Tax Office	251,138	8,053	243,085
Other payables	9,502,466	9,976,735	-474,269
Accrued expenses	1,152,155	27,378	1,124,777
Deferred income	1,362,400	1,294,118	68,282
Deferred VAT - Customers	776	776	0
Withholding tax payables to Tax Office	56,671	83,890	-27,218
Employee IRPEF tax payables to Tax Office	2,379,988	1,779,641	600,347
Payables to social security institutions	4,380,093	4,413,597	-33,504
Substitute tax payables - Employee Severance Pay	-8,879	33,785	-42,665
Ecotax		100,446	-100,446
Payables to the Municipality of Florence	4,588	8,882	-4,294
TOTAL	19,081,396	17,727,301	1,354,095

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

6) EXPLANATORY NOTES TO THE INCOME STATEMENT ITEMS

27) Revenues

Total revenues from sales and services of the Alia Group recorded in 2022 came to Euro 411,504,747 (Euro 371,704,947 at 31 December 2021).

The revenues of parent company Alia Servizi Ambientali S.p.A. alone, deriving 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.

For more information on the Group's performance of operations, reference should be made to the Report on Operations.

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Revenues from integrated waste management	336,375,569	311,546,319	24,829,250
Revenues from other sales and services	68,157,624	57,361,104	10,796,520
Revenues from sale of finished products	6,971,554	2,797,524	4,174,031
TOTAL	411,504,747	371,704,947	39,799,800

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	16,760,154
2022 AMM tariff component	19,120,747	0	18,519,278
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 from sale of finished products

They include revenues deriving from the sale of granule on the part of subsidiary Revet.

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.

Change in inventories

Changes in inventories for finished products came to Euro 1,057,501, attributable to Revet S.p.A. and Valcofert S.r.l..

Other operating revenues

Other operating revenues of the Alia Group came to Euro 7,575,056 (Euro 6,847,990 at 31 December 2021), including operating revenues of the Parent Company alone for Euro 5,546,360.

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Incentive tariff	118,419	154,205	-35,786
Other revenues	2,049,247	1,352,434	696,813
Compensation for transport costs	2,352	133,244	-130,892
Reimbursement of disposal costs	2,486,300	1,772,564	713,736
Revenues for claims compensation	132,152	89,039	43,112
GSE electricity production incentives	118,842	243,246	-124,404
Contingent assets	866,430	677,868	188,563
Revenue from company canteen	300,426	282,223	18,203
Revenue from penalties	494,392	381,066	113,326
Recoveries and reimbursements	1,006,497	1,762,101	-755,604
TOTAL	7,575,056	6,847,990	727,066

Other income

Other income amounted to Euro 6,147,294 (Euro 3,414,488 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	1,724,303	436,722	1,287,581
Capital grants	699,475	699,475	0
Revenues from Recovery of Fuel Excise duties	91,907	411,571	-319,664
Capital gains	612,912	436,372	176,540
Research and Development grant	6,820	6,820	0
Capitalisation of internal personnel costs	2,904,265	1,315,916	1,588,349
TOTAL	6,147,294	3,414,488	2,732,806

28) Operating costs

Below are the total and breakdown of operating costs at 31 December 2022

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Fuels and lubricants	10,829,641	9,496,922	1,332,719
Spare parts	2,746,439	2,475,699	270,740
Bags	2,067,684	1,284,012	783,673
Consumables	3,390,570	3,484,061	-93,491
Chemicals	677,376	293,784	383,592
Other purchases	4,973,753	2,850,713	2,123,039
Costs of Raw Materials and Consumables	24,685,463	19,885,190	4,800,273
Waste collection	53,832,953	52,373,627	1,459,325
Insurance	4,736,497	5,715,908	-979,411
TIA tariff collection services	1,138,220	1,205,237	-67,017
Legal and notarial fees	632,582	366,317	266,264
Third-party services	7,124,713	5,045,097	2,079,616
Refund to suppliers of regional waste disposal tax	2,541,668	2,838,205	-296,537
Others	15,741,366	14,621,856	1,119,510
Third-party processing	5,790,749	5,981,545	-190,795
Waste disposal services	7,060,497	4,952,038	2,108,459
Multi-material waste sorting plant operation	2,318,744	2,181,574	137,170
Transport, treatment and disposal services	69,563,435	66,120,669	3,442,766
Cleaning and sweeping services	6,035,114	5,724,913	310,201
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	12,001,468	11,953,115	48,352
Energy, water and gas utilities	7,611,385	4,549,587	3,061,798
Rentals and leases payable	4,336,591	2,218,907	2,117,684
Canteen	1,509,098	1,438,662	70,436
Costs for Services	210,952,024	195,565,634	15,386,389
Wages and salaries	77,024,276	75,114,674	1,909,602
Contracted work	8,308,519	10,036,380	-1,727,861
Social security costs	25,610,499	25,155,586	454,914
Employee Severance Pay	5,173,829	4,889,623	284,206
Other personnel costs	5,147,952	5,032,790	115,162

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Personnel costs	121,265,076	120,229,053	1,036,023
Regional Disposal Tax	3,260	875	2,385
Contingent liabilities	857,581	448,500	409,081
Sundry tax and duties	1,450,946	1,458,954	-8,008
Capital losses	304,696	169,065	135,631
Others	1,301,574	1,363,745	-62,171
Commissions expense	49,658	30,357	19,301
Other operating expenses	3,967,715	3,471,496	496,219

The fees paid to directors and statutory auditors amounted to Euro 332,380 and Euro 91,713.

The average number of staff employed by the Alia Group during the year was 2,709 units as detailed in the report on operations.

29) Amortisation, depreciation, provisions and write-downs

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
<i>Amortisation of intangible assets</i>	244,558	270,207	-25,649
<i>Depreciation of property, plant and equipment</i>	4,279,080	5,252,190	-973,110
<i>Amortisation of Concession Rights</i>	21,059,119	17,707,965	3,351,154
Provisions for risks	321,666	3,184,227	-2,862,561
Provisions for Post-Closure operation of landfills	1,621,665	-585,914	2,207,579
Other provisions	871,101	0	871,101
Amortisation of rights of use	2,075,456	1,790,091	285,365
TOTAL	30,472,645	27,618,766	2,853,879

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	1,037,779	-246,660	1,284,439
TOTAL	1,037,779	-246,660	1,284,439

30) Write-downs and reinstatements of financial assets and liabilities

Description	Balance at 31 12 2022	Balance at 31 12 2021	Change
Write-downs of subsidiaries	0	143,965	-143,965
Write-downs of other equity investments	26,129	25,877	252

TOTAL	26,129	169,842	-143,713
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31) Share of profits (losses) of Joint Ventures and associates

The balance at 31 December 2022 came to Euro 1,173,332 (Euro 1,535,138 at 31 December 2021) and consists of the impact through profit or loss relating to revaluations and write-downs of equity investments in equity-accounted associates.

For the breakdown of income and costs arising from measurement at equity, reference should be made to note 3.

32) Financial operations

The following is a brief summary of financial income and costs.

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	13,084	21,656	-8,571
Income other than the foregoing	395	5,408	-5,013
TOTAL	2,105,481	509,497	1,595,983

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	1,875,914	691,059	1,184,855
Interest expense on Bond	2,534,852	1,311,554	1,223,298
Default interest expense	17,395	17,915	-520
Interest expense on current bank accounts	78,511	114,015	-35,504
Financial costs on discounting of provisions for post-closure operation of landfills	202,163	335,717	-133,554
Interest expense on Employee Severance Pay	69,162	1,449	67,713
Other interest expense	2,228,733	970,528	1,258,205
TOTAL	7,006,730	3,442,236	3,564,494

33) Taxation

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

	Alia SpA (parent company)	Programma Ambiente Apuane SpA	Valcofert Srl	Revet SpA	ALIA GROUP
Difference between production value and costs	143,576,267	-708,936	49,704	4,073,582	146,990,617
Increases	1,905,307	134,351	336,377	11,866,287	14,242,322
Decreases	100,936,239		326,359	10,297,360	111,559,958
Taxable income	44,545,335	-574,585	59,722	5,642,509	49,672,981
IRAP tax rate	5.12%		3.90%	4.82%	
IRAP tax	2,280,721	0	2,329	262,000	2,545,050
Effective IRAP tax	2,280,721	0	2,329	262,000	2,545,050
ACE (Allowance for Corporate Equity)			204		204
IRAP tax	2,280,721	0	2,125	262,000	2,544,846

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

	Alia SpA (parent company)	Programma Ambiente Apuane SpA	Valcofert Srl	Revet SpA	ALIA GROUP
Pre-tax accounting income	28,328,605	-744,943	9,448	3,397,716	30,990,826
Increases	8,389,928	17,796		1,795,523	10,203,247
Decreases	9,028,457	18,643		3,623,989	12,671,089
Tax losses	-22,152,061		-9,448	-	-23,492,849
Taxable income	5,538,015	-745,790	0	237,910	5,030,135
Allowance for Corporate Equity (ACE)	631,239			237,910	869,149
IRES tax rate	24%	24%	24%	24%	
IRES tax	1,177,625	0	0	0	1,177,625

Below is the calculation of the tax rate for 2022:

Current IRES tax	962,291
Current IRAP tax	2,562,735
Change in deferred tax	4,193,573
Accrued tax	7,718,600
Income before tax	30,149,849

7) OTHER INFORMATION

Fees due to Independent Auditors

Type of service	Entity that has delivered the service	Recipient	Notes	Fees 2022 (€)
Audit of accounts	PwC SpA	Parent Company Alia Servizi Ambientali S.p.A.	1	60,000
	PwC SpA	Subsidiaries	2	29,000
Issue of certifications	PwC SpA	Parent Company Alia Servizi Ambientali S.p.A.	3	15,000
Other services	PwC SpA	Parent Company Alia Servizi Ambientali S.p.A.		121,000
			Total	225,000

- (1) Fees for the engagement involving the statutory audit of the consolidated and separate financial statements of the Parent Company (including the performance of periodic audits).
- (2) Fees for the engagement involving the statutory audit of the separate financial statements of subsidiaries Revet S.p.A and Programma Ambiente Apuane S.p.A. and related periodic audits.
- (3) Fees for the engagement involving the limited audit of the Disclosure of non-financial information under Legislative Decree No. 254/2016 for the 2022 financial year.

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 2022 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

EURO*1,000	RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	PAYABLES	REVENUES	COSTS
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		437	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
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 Alia S.p.A. Group 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		128,916,793		128,916,793
Current contract assets		18,450,295		18,450,295
Other current assets		9,506,055		9,506,055
Cash and cash equivalents		26,108,803		26,108,803
NON-CURRENT ASSETS				
Non-current financial assets		1,241,075		1,241,075
Non-current trade receivables		2,830,966		2,830,966
Non-current contract assets		20,362,755		20,362,755
Equity investments in other companies	21,923,695			21,923,695
Other non-current assets		2,801,515		2,801,515
CURRENT LIABILITIES				
Current financial liabilities			20,570,580	20,570,580
Current financial liabilities for rights of use			1,920,058	1,920,058
Trade payables			113,696,666	113,696,666
Other current liabilities			19,081,396	19,081,396
NON-CURRENT LIABILITIES				
Non-current financial liabilities			163,310,170	163,310,170
Non-current financial liabilities for rights of use			5,140,365	5,140,365
Non-current trade payables			3,400,000	3,400,000
Other non-current liabilities			9,608,374	9,608,374

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

Risks

The Group 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 Group 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 Finance and Control Department to optimise the use of available resources. 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 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 economic and financial 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 and the group'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.

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 Parent 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 Group's infrastructure development, as well as refinancing part of the existing debt, including almost all the bond issued in 2017.

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 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
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Financial liabilities (including financial liabilities for rights of use)	22,068,516	168,520,029	353,198	190,941,743
Trade payables	113,696,666	3,400,000		117,096,666
Other payables	21,411,741	6,968,091	2,640,283	31,020,115
Total	157,176,923	178,888,120	2,993,481	339,058,524

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

b) Exchange rate risk

The Alia Group is not exposed to exchange rate risks since the Group operates at a national level.

c) Interest rate risk

The interest rate risk to which the Group is exposed mainly originates from borrowings from banks. In light of the current trend in interest rates, the Group'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 S.p.A. 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 parent 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.

As far as the subsidiary Revet is concerned, the cash flows are actively generated from two major sources: the operators which pay monthly for the waste collection and pre-selection service and the supply chain Consortia which pay monthly for the selection of material flows and which have paid regularly to date. At present, no particular critical issues have been reported on these flows. It should be noted that the plastic packaging that REVET deals with is essentially related to food packaging, which is a sector that is not affected by the COVID-19 crisis.

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, 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 San Paolo	Surety in favour of the Municipality of Montespertoli for mitigation and restoration projects for the Casa Sartori Landfill	150

3) For Alia: 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.

4) For Revet S.p.A.: Comfort letter in favour of Banca Cambiano for Vetro Revet S.r.l. for Euro 3,820,443.

Main pending litigation

The information relating to the main pending litigation and related provision set aside in the accounts are 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 set aside a 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 2022) - 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. 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.

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.

Accidents at work

With reference to the disputes pending for accidents at work, the insurance policies in place at the time of the events provide for limits of liability that are sufficient to cover any possible compensation claim in civil actions:

Rgnr. (General Register of Notices of Offences) 5117/2017 (Mr Del Corso and Mr. Galiuto Esqs.): the Trial (accident at work) is in the first instance and in the phase of discussion; any claims for damages which have been and can be submitted in civil proceedings are covered by the Third-party Liability/Employer Liability insurance policies held by the company.

Rgnr. (General Register of Notices of Offences) 6461/2016 (Mr Del Corso and Mr Poletto, Esqs.): the Trial (accident at work) is in the first instance and in the phase of discussion; any claims for damages which were submitted in civil proceedings were rejected by an order of the civil court; the court of appeal reinstated the proceedings in civil court and the judge postponed consideration to a later date in the criminal proceedings in order to assess any related developments. In any case they are covered by the Third-party Liability/Employer Liability insurance policies held 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 Group companies received the following grants from public entities or bodies during the year under Law 124/2017:

Alia Servizi Ambientali S.p.A.

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

ENTITY	GRANT	COLLECTION DATE	AMOUNTED COLLECTED
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

REVET S.p.A.:

After referring to the information provided in the National State Aid Register of the Ministry of Economic Development, pursuant to Law 124/2017, it is noted that the Company received the following grants from public entities or bodies during the year:

- Refund of excise duties on transport fuel for Euro 31 thousand against the submission of specific quarterly requests, with the Customs authorities acknowledging the credit to be used for offsetting, in addition to the tax credit for production of motive power with fixed engines in industrial plants (shovels and forklifts), for Euro 38,132, relating to the period from 1 January 2020 to 31 December 2020;
- Grant to Fondimpresa training for Euro 1.2 thousand, accounted for in 2022.

Authorisation for publication

This document was approved by Alia Servizi Ambientali S.p.A'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 Consolidated 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 consolidated financial statements at 31 December 2022.
2. No significant issues have been reported in this regard.
3. It is also certified that the consolidated 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 Consolidated 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 Consolidated Financial Statements

Opinion

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

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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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 consolidated financial statements as of 31 December 2022: note 27 “Revenues”

The Group recognised in the consolidated 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 Group in relation to services provided under concession.

In view of the significance of this item and the use of estimates by the Group 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 Group’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 Group 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 Group’s management, and obtained confirmation by the PwC network lawyers of the conclusions reached by the professionals involved by the Group 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 consolidated financial statements in order to evaluate the accuracy and completeness of the related disclosures.

Provisions for post-closure operation of landfills

Notes to the consolidated financial statements as of 31 December 2022: note 18 “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 consolidated financial statements at 31 December 2022 amounted to Euro 34.8 million, which represented 4.4% of the Group’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 Group 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 Group’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 financial statements.

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

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

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



to liquidate Alia Servizi Ambientali SpA or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

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

On 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 the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

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

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

Report on Compliance with other Laws and Regulations

Opinion 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 the Alia Servizi Ambientali Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Alia Servizi Ambientali Group 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 consolidated financial statements of the Alia Servizi Ambientali Group 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.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Alia Servizi Ambientali SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

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.