

2022

**Group Annual
Report**

Veritas SpA

veneziana energia risorse idriche territorio ambiente servizi

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2 GROUP ANNUAL REPORT

2.1	Report on operations	6
2.1.1	Business performance in 2022	6
2.1.2	Risks and uncertainties	14
2.1.3	Significant events during the year	29
2.1.4	Business outlook	33
2.2	Consolidated statement of financial position	35
2.3	Consolidated statement of profit or loss and other comprehensive income	37
2.4	Consolidated statement of changes in equity	38
2.5	Consolidated statement of cash flows	39
2.6	Notes to the consolidated financial statements	41
2.7	Auditors' reports	160
2.7.1	Board of statutory auditors' report	160
2.7.2	Independent auditors' report	168

3 RESOLUTIONS OF THE SHAREHOLDERS' MEETING

3.1	Resolutions of the shareholders' meeting	174
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2
Group
Annual
Report



2.1 Report on operations

2.1.1 Business performance in 2022

Dear Shareholders:

The Veritas SpA shareholders' meeting of June 27, 2008 directed the Veritas Group to apply voluntarily Legislative Decree 38 of February 28, 2005, as permitted by Italian law, opting to publish consolidated financial statements compliant with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS).

In accordance with the by-laws and Article 2364 of the Italian Civil Code, because the Group is required to prepare consolidated financial statements under Article 25 of Legislative Decree 127/91, the financial statements must be approved within 180 days from the end of the financial year.

The financial statements of the Veritas Group for the year ended December 31, 2022 show a net profit of € 7,286 thousand, compared with € 12,730 thousand the previous year.

Including non-controlling interests, the consolidated net profit amounts to € 6,155 thousand, compared with € 12,594 thousand in 2021.

The consolidated financial statements include the financial statements of the parent company, Veritas SpA, and of the companies it controls directly or indirectly through its subsidiaries, determining their financial and managerial decisions and obtaining the relative benefits.

Since 2017 the parent company has also prepared separate financial statements compliant with IFRS, under Legislative Decree 38/2005 as it pertains to public interest entities.

The following companies, in accordance with IFRS 10, are included in the scope of consolidation at December 31, 2022:

consolidated companies	registered office	share capital	Dec. 31, 2022	Dec. 31, 2021
			Group's share	
Veritas SpA (parent company)	Venice	145,397,150		
Eco+Eco Srl	Venice	65,361,166	61.29%	56.68%
Asvo SpA	Portogruaro (VE)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina <i>in liquidation</i>	Venice	100,000	82.05%	82.05%
Metalrecycling Venice Srl	Venice	1,800,000	61.29%	82.34%
Depuracque servizi Srl	Salzano (VE)	223,080	100.00%	100.00%
Lecher ricerche e analisi Srl	Salzano (VE)	46,800	100.00%	100.00%
Rive Srl	Venice	100,000	70.00%	70.00%
Ecodistretto trasporti Scarl	Venice	20,000	49.03%	0.00%
Veritas Conegliano Srl	Venice	100,000	72.50%	48.80%
<i>absorbed by Eco+Eco Srl (formerly Ecoprogetto)</i>				
Eco-ricicli Veritas Srl	Venice	7,000,000	0.00%	82.34%
<i>deconsolidated at December 31, 2022</i>				
Mia energia Srl (formerly Nuova energia Srl)	Venice	110,000	30.03%	100.00%

In 2022 the scope of consolidation underwent the following changes with respect to the previous year:

- on July 27, 2022 Veritas acquired from various private shareholders an additional 23.7% interest in Veritas Conegliano Srl, raising its total ownership to 72.5% and taking control of the company as from that date. As a result, Veritas Conegliano is now a subsidiary within the scope of consolidation of the Veritas Group;
- on September 6, 2022, Mive came out of liquidation and on September 26 its name was

changed to Nuova energia Srl.

On December 27, 2022, 70% of Nuova energia Srl's shares were sold to third parties and the company left the Veritas Group's scope of consolidation.

The General Meeting of March 6, 2023 voted to cover the loss shown in the 2022 draft financial statements through direct contributions by the shareholders, which were completed by March 31, 2023. The General Meeting also approved a capital increase of up to € 1 million by issuing new stock to be optioned to the existing shareholders.

On that occasion, the shareholders voted to pay for 25% of the approved share capital in cash, with the option to call up the remainder by December 31, 2023.

For now, the increase has been subscribed only by the controlling shareholder, Finam, and not by Eco+Eco. This means that Eco+Eco's share currently amounts to 1.89% and the company is no longer an associate of the Veritas Group.

The General Meeting also approved a name change to Mia energia Srl;

- on November 1, 2022 Eco-ricicli Veritas Srl was absorbed by Ecoprogetto Venezia Srl, whose name was changed immediately to Eco+Eco Srl. As a result of this merger by incorporation and given the two companies' values as assessed for the merger plan and the subsequent share swap, Veritas now owns 52.46% of the new company Eco+Eco and Asvo owns 15.85%;
- on November 30, 2022 the company Ecodistretto trasporti Scarl was formed, 70% owned by Eco+Eco and 10% by Metalrecycling. Given this ownership structure, it has been included in the Veritas Group's scope of consolidation starting on that date.

The following associates are accounted for using the equity method:

companies accounted for using the equity method	registered office	share capital	Dec. 31, 2022	Dec. 31, 2021
			Group's share	
associates				
Sifa Scpa	Mestre (VE)	30,000,000	33.17%	33.17%
Ecolegno CM Venezia Srl	Venice	50,000	24.52%	32.94%
OMD Srl	Nervesa della Battaglia (TV)	160,000	15.32%	20.59%
Mia energia Srl (formerly Nuova energia Srl)	Venice	110,000	30.03%	100.00%
Vier Scarl	Venice	100,000	49.00%	49.00%
<i>reclassified companies</i>				
Veritas Conegliano Srl	Venice	100,000	72.50%	48.80%

With respect to the previous year, note that:

- Veritas Conegliano is now a subsidiary within the scope of consolidation of the Veritas Group.

In addition:

- in May 2022 Veritas finalized the purchase from its associate Sifa Scarl of the business unit that operates the preliminary waste storage platform known as "area 23ha."

Veritas SpA's subscribed and paid-in share capital at December 31, 2022 amounts to € 145,397 thousand, unchanged since the previous year.

The Group provides local public services, waste management, and water treatment and distribution in the 51 shareholder municipalities belonging to the optimal territorial ambits (OTAs) of the provinces of Venice and Treviso. The population served is more than 920,000, equal to almost the entire metropolitan area of Venice and 18% of the residents of the Veneto region, plus some 35 million tourists who visit Venice, the surrounding areas, and the Jesolo, Eraclea, and Chioggia coastlines each year (except during the two-year Covid emergency), for a total of more than 1 million population equivalent.

Due to the merger of Asi, in 2017, Veritas provides integrated water services in 36 municipalities.

Regarding the integrated waste management service, Veritas Spa covers the territories under the jurisdiction of the three companies operating before the 2007 merger (Vesta Spa, Acm Spa, and Asp Spa), to which the following municipalities have been added over time: Cavarzere, Cona, San Donà di Piave, Fossalta di Piave, Mogliano Veneto, Ceggia, Eraclea, Jesolo, Musile di Piave, Noventa di Piave, and Torre di Mosto. Asvo Spa covers its eleven shareholder municipalities, which are also members of Veritas.

In 2022 business was affected by the war between Russia and Ukraine that broke out in February, while the impact of the Covid-19 pandemic, which hurt business severely in 2020 and 2021, was greatly reduced with the end of the state of emergency and the lifting of nearly all related restrictions.

The economic consequences of the war were most evident in higher prices for electricity, gas, and fuel, and in general in the increased cost of food and other commodities, which caused inflation to spike in Italy and in most of the Western world. Central banks then tried to fight inflation by raising interest rates.

This situation carries a risk of future economic recession, which has been factored into bill collection default estimates, even though the end of the pandemic did improve solvency with respect to estimates for the previous years.

The 2022 performance was also affected by energy prices, which raised costs by 65% over the prior year, but these costs were almost fully covered by the government tax credits enacted for this very purpose and by the water service rate adjustments chargeable in the coming years.

Nonetheless, given the present uncertainties, the Group continued to secure the company's liquidity by resorting to additional forms of financing, some of them backed by government guarantees.

In particular, in 2022 the parent company took out another Sace-guarantees loan of € 10 million under the terms of Decree Law 23/2020 (the "Liquidity Decree") and contracted a € 50 million loan with the European Investment Bank disbursed in two tranches: € 30 million in August 2022 and € 20 million in February 2023.

The following table shows the Veritas Group's key performance data for 2022 and the previous year, in thousands of euros; it also compares the relative weight of each item to total net revenue.

key performance figures (in thousands of euros)	2022	%	2021	%
total net revenue	501,688	100.0%	455,187	100.0%
staff costs	-179,193	-35.7%	-172,795	-38.0%
other operating costs and provisions	-243,854	-48.6%	-201,625	-44.3%
EBITDA	78,641	15.7%	80,767	17.7%
depreciation, amortization and impairment	-55,029	-11.0%	-50,528	-11.1%
provisions for risks and charges	-4,121	-0.8%	-6,996	-1.5%
operating profit	19,491	3.9%	23,243	5.1%
share of investments accounted for using the equity method	-7	0.0%	839	0.2%
financial costs (income)	-14,039	-2.8%	-10,687	-2.3%
profit before tax	5,445	1.1%	13,395	2.9%
income tax	710	0.1%	-801	-0.2%
profit for the year from continuing operations	6,155	1.2%	12,594	2.8%
profit for the year from discontinued operations		0.0%		0.0%
profit for the year	6,155	1.2%	12,594	2.8%
non-controlling interests	-1,131	-0.2%	-136	0.0%
Group net profit	7,286	1.5%	12,730	2.8%

* EBITDA is the difference between revenue and operating costs, gross of depreciation and amortization (already net of equipment grants), impairment losses, risk provisions and other provisions. Thus defined, EBITDA is a measure management uses to monitor and evaluate operating performance. Since it is not identified as an accounting measure under either Italian or international accounting standards, it should not be considered an alternative measure for evaluating the Group's performance. Because the specific makeup of EBITDA is not governed by the accounting standards, the Group's criteria for calculating it could be different from those used by other groups, so such figures may not be comparable.

Total net revenue amounted to € 501.7 million and increased by € 46.5 million with respect to 2021 (+6.5%).

Of the total, revenue from sales and services amounted to € 481.5 million, an increase of € 37.6 million on the previous year, due mainly to the recovery of rate revenue through rate adjustments and in general to the incorporation into rates and fees of the higher costs incurred for materials and services due in part to across-the-board inflation.

Specifically, waste management revenue came to € 178.7 million for Veritas (+€ 1.3 million compared to the previous year) and € 21.0 million for Asvo (-€ 0.9 million on 2021).

Most of the increase for Veritas reflects the rate increase recognized with approval of the 2022 financial plan (FP), which amounts to 3.2% in total, taking into account the rate adjustments still to be recovered in future FPs.

Since 2020, waste rates have been governed by the regulatory authority, the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di regolazione per energia reti e ambiente, or "Arera"), using the waste rate method (Mtr) for 2020-2021 but recalculating the 2018 and 2019 FPs and carrying forward the differences with respect to the previous method to the 2020-2024 FPs, meaning those differences are still being recovered. Since 2022, the revised waste rate method (Mtr-2) has been in effect as approved with resolution 363/R/rif of August 3, 2021, valid for the four-year period 2022-2025.

Note also that the rate packages for 2020, in light of Covid-19 legislation, were calculated on the basis of the 2019 FPs which generated additional adjustments to be recovered in the 2021-2023 FPs, a process that is still underway.

In addition, the Mtr for 2020-2021 had limited the annual rate increase to 6.6% (within-cap), while the over-cap portion, which requires confirmation by Arera, produced rate adjustments that cannot be recognized in the financial statements except where they have been covered by the municipalities' own funds.

Mtr-2, however, takes a new approach to rate adjustments arising from the over-cap portion of financial plans, by allowing them to be included in future FPs without prior confirmation by Arera.

The FPs for 2022-2025 were approved by Venice Environment Basin Council resolution n. 7 of

April 14, 2022.

In this regulatory plan, the Basin Council included part of the 2020-2021 over-cap rate adjustments in the amount of € 2.5 million, which were recognized in the financial statements but written down as they still risk not being approved by the national authority.

The remaining over-cap rate adjustments, not reclaimed in the 2022-2025 FPs and still not recognized in the financial statements, amount to € 0.8 million.

The 2022 FPs also produced an over-cap adjustment of € 1.8 million, of which € 1.5 million has already been reclaimed in the FPs for 2023-2025.

All the municipalities have acknowledged the 2022-2025 FPs approved by the Basin Council and have in turn approved the rate packages for 2022, in some cases covering part of the FPs with their own funds in order to reduce the rate increases for users.

The overall increase in waste management revenue recognized in the financial statements, also taking prior-year components into account, therefore amounted to around 1.1%.

The 2022 FPs for Asvo were also approved with Basin Council Resolution n. 7 of April 14, 2022.

The parent company's revenue from regulated water pricing amounted to € 135.0 million (+€ 14.9 million compared with the previous year).

The integrated water service follows the rate method (Mti-3) approved by Arera in December 2019 with Resolution 580/2019/R/idr, valid for 2020-2023. Therefore, with Resolution 46/2021/R/idr of February 9, 2021, Arera approved the rates applicable to Veritas for that period, updated with Resolution 687/2022/R/idr of December 13, 2022 for 2022 and 2023.

The water rate approved for 2022 includes a positive adjustment of 7% with respect to 2021.

This year, rate adjustments to be recovered in future water rates have been recognized in connection with higher electricity costs in the amount of € 11.2 million.

Section 1.2.3 provides a detailed account of changes in water rate rules and regulations.

In any case, the integrated water service rate remains one of the lowest in the country, and because of various factors beyond the rate adjustment formulas, it is not expected to rise by an appreciable amount.

The main changes include an increase in revenue from waste disposal (+€ 1,949 thousand) and the differential portion of waste (+€6,727 thousand), from the management of plants on behalf of third parties (+€ 6,786 thousand), from heat management services (+€ 2,091 thousand) and from the sale of electricity (+€ 1,764 thousand).

Personnel costs (€ 179.2 million) were 3.7% higher than in 2021 (€ 172.8 million) because they included, for Veritas, a non-recurring provision of € 6.5 million for future expenses under the intergenerational turnover agreement pursuant to Article 41 of Legislative Decree 148/2015 reached with the unions on December 7, 2022, entailing early retirement for around 120 employees in 2023 and consequent workforce efficiency procedures.

Net of that provision and of capitalized costs, staff costs were consistent with the previous year (€ 176.7 million in 2021 versus € 177.4 million in 2022) and the workforce was essentially stable from one year to the next. The average number of employees was 3,381.

There was a decrease of 18 in the average headcount.

average annual headcount (FTE)	2022	2021	change
upper management	21.84	22.31	-0.47
lower management	84.52	85,00	-0.48
white collar	1,022.79	1,020.10	2.69
blue collar	2,251.91	2,271.16	-19.25
total average headcount	3,381.06	3,398.57	-17.51

Personnel costs corresponded to 35.7% of total net revenue, down from 38.0% in 2021.

Other operating expenses and provisions amounted to 48.6% of total revenue and increased by € 42.3 million.

Specifically, they refer to the purchase of raw materials and consumables (€ 48.6 million), the cost of services (€ 174.6 million), rentals and leasing (€ 6.1 million), and other operating costs (€ 14.6 million).

The principal changes concerned utilities (+€ 17,697 thousand), impairment of receivables (+€ 5.0 million), reagents, fuels, and lubricants (+€ 6.1 million), and works and maintenance (+€ 5.4 million).

Among the external operating costs (within the item utilities), **electricity** is one of the Group's largest expenses and is mostly consumed by the water service plants.

This major cost item amounted to € 41.0 million in 2022 (€ 36.9 million for the parent company alone), an increase of € 16.2 million (€ 14.5 million for Veritas) with respect to the previous year.

At Veritas, total electricity consumption decreased by around 3.34% from 2021 to 2022, due chiefly to the lower capacity of purifiers and reduced consumption by the lifting stations due to the drought, while there was a further surge in the cost of power and extreme price volatility caused by the war in Ukraine and the resulting global energy crisis, which raised the average unit price by 70.48% and the company's total expenditure by 64.79%.

Government energy subsidies in the form of tax credits amounted to € 5.7 million, so the increase in electricity costs net of those subsidies is estimated for this year at 42.2%.

EBITDA of € 78.6 million decreased by 2.7% compared with the previous year's € 80.8 million.

At € 19.5 million, the **operating profit (EBIT)** was 16.3% lower than in 2021 (€ 23.3 million).

Net financial costs of € 14.0 million increased by € 3.3 million on the previous year. This is explained by the non-recurring gain of € 2.3 million recognized by Veritas in 2021 for the reduction of the interest in arrears risk provision and by the across-the-board rise in interest rates in 2022, which increased financial costs especially on variable-rate mortgage loans, although this was largely offset by the financial income generated by derivatives held for the very purpose of hedging interest rate risk on these loans.

The **profit before tax** stood at € 5.5 million, down from € 13.4 million in 2021, and amounts to 1.1% of total net revenue.

Income tax for the year was -€ 0.7 million, compared with € 0.8 million in 2021.

Specifically, for the purposes of IRES (corporate income tax), taxable income was reduced permanently (i.e. without generating deferred tax liabilities) by € 5.7 million with respect to gross pre-tax income, saving € 1.3 million in tax, thanks to the exemption of the government subsidies received in the form of tax credits to combat the rise in electricity and gas prices.

The consolidated **profit for the year** amounted to € 6,155 thousand, compared with € 12,594 thousand in 2021.

Non-controlling interests of -€ 1,131 thousand (-€ 136 thousand the previous year) refer mainly to the subsidiaries Eco+Eco Srl and Asvo SpA.

The Veritas Group's key financial figures are presented below (in thousands of euros):

key financial figures (in thousands of euros)	Dec. 31, 2022	inc. %	Dec. 31, 2021	inc. %
non-current assets	767,458	107.4%	739,471	107.9%
net working capital	-52,952	-7.4%	-54,293	-7.9%
net invested capital	714,506	100.0%	685,178	100.0%
equity attributable to the Group	290,682	40.7%	279,693	40.8%
equity attributable to non-controlling interests	29,377	4.1%	29,443	4.3%
net non-current liabilities (excluding loans)	129,439	18.1%	118,059	17.2%
net financial debt	265,008	37.1%	257,983	37.7%
sources of funding	714,506	100.0%	685,178	100.0%

* The net financial debt, calculated as outlined in the main financial covenants in place as of December 31, 2022, is the difference between all financial liabilities and short-term financial assets (in the case of the Veritas Group, the latter consist solely of cash and cash equivalents).

Non-current assets increased by € 28.0 million with respect to the previous year.

Capital expenditure in 2022 stood at € 84.5 million, up by € 6.7 million on the previous year, as follows:

capital expenditure (in thousands of euros)	2022	2021
intangible assets	6,272	5,774
property, plant and equipment	39,669	42,542
goods for services under concession	38,595	29,515
total capital expenditure	84,536	77,831

Capital expenditure includes Veritas's acquisition from its associate Sifa Scarl of the business unit that operates the preliminary waste storage platform known as "area 23ha."

Net working capital went from -€ 54.3 million at the end of 2021 to -€ 53.0 million, due in part to the increase in receivables for rate adjustments.

Equity increased by a total of € 10.9 million on the previous year, with a net profit of € 6.2 million, and € 4.3 million produced by the annual effect of the discounting of retirement benefit obligations and adjustment of the cash flow hedge reserve. Equity attributable to non-controlling interests was essentially constant, while the Group's net profit for the year amounted to € 7.3 million.

Net non-current liabilities increased by € 11.3 million, from € 118.1 million at December 31, 2021 to € 129.4 million; they consist of long-term liabilities due to other parties as well as provisions, including for retirement benefit obligations.

The Group's **net financial position/(debt)** changed by € 7.0 million, from -€ 258.0 million at December 31, 2021 to -€ 265.0 million. See the statement of cash flows for details of individual changes.

The Group has a high level of debt but a sustainable net debt/EBITDA ratio of 3.37, compared to 3.19 the previous year.

The net debt is made up as follows:

<i>(in thousands of euros)</i>	Dec. 31, 2022	Dec. 31, 2021
cash and cash equivalents	-148,429	-161,872
bank overdrafts and current portion of bank loans	54,438	47,430
current portion of loans from other lenders	14,848	15,326
derivative liabilities		130
current financial payables due to shareholders	656	901
current financial payables due to associates	172	21
current financial debt	70,114	63,808
net current financial debt	-78,315	-98,064
long-term bank loans	179,958	189,458
long-term loans from other lenders	154,606	155,067
non-current financial payables due to shareholders	8,759	9,375
non-current financial payables due to associates		2,147
non-current financial debt	343,323	356,047
net financial debt	265,008	257,983

2.1.2 Risks and uncertainties

Consequences of the Covid-19 pandemic

In 2022 the Italian government decreed the end of the state of emergency caused by Covid-19.

As a result, practically all of the restrictions adopted in 2020-2021 to help stop the spread of the virus were lifted, and the company ended its work-from-home policy.

Direct risks from the war in Ukraine

Veritas does not have any contracts for the purchase or sale of goods and services from or to parties in Ukraine, Russia, or Belarus.

In 2022, unlike in previous years, no occasional services were rendered to the vessels of such parties in the context of utilities management for the Port of Venice. The loss of such revenue in the parent company's financial statements is insignificant.

Therefore, business with parties in the region involved in the conflict has had no direct impact on the financial statements.

Risks from the macroeconomic context

Shortages, energy prices and inflation

First the Covid-19 emergency and then the ongoing war in Ukraine have caused a global shortage of raw materials, whose prices have risen and become more volatile.

Price hikes and volatility also characterized the cost of electricity, gas, and fuels in 2022.

For Veritas, the energy crisis raised electricity costs by 65.4% year-on-year (from € 24.8 million to € 41.0 million) and methane and natural gas prices by 78.4% (from € 1.8 million to € 3.2 million).

Regarding relief from the higher electricity costs borne by the integrated water service (the segment accounting for the largest share of energy consumption), in addition to the government subsidies provided in the form of tax credits, these costs are in any case subject to adjustment in the water rate charged in subsequent years, although not in full because the Authority has set a standard average electricity rate that is lower than that incurred by Veritas.

In 2022 Veritas recognized income from water rate adjustments in relation to electricity costs in the amount of € 11.2 million.

In any case, to save energy, the Group has implemented and will continue to implement energy efficiency measures at its plants, and will soon be installing photovoltaic systems at its offices.

Regarding the rise in fuel costs, the greatest impact is on the waste management service, but under the current Mtr-2 rate mechanism these increases, too, can be fully recovered in the FPs two years later.

In this case as well, to help counter the higher costs, the company will be gradually switching to electric vehicles and vehicles running on alternative fuels such as biomethane.

The increase in commodity prices has also had a knock-on effect of increased prices in general and therefore a rapid rise in inflation, which has had a strong impact given the lengthy period of low inflation that the Italian economy had recently experienced.

For public procurement contracts, Article 26 of Decree Law 50/2022 even allows contractors to ask for price adjustments where they are not envisaged by contractual terms and conditions.

All of this has led to an increase in maintenance and service costs, which Veritas has managed to cover with higher revenue thanks to the mechanisms for setting rates and fees.

While some purchase contracts allow for adjustments according to the ISTAT consumer price index, in most cases the impact of such clauses will be felt in 2023, and these increases should likewise be economically sustainable because similar clauses (in addition to the rate regulation mechanisms mentioned above) also exist in most of the contracts between Veritas and its customers.

Increased interest rates

In the second half of 2022 there was a general rise in interest rates, but this had no particular impact on the Group because 72% of its financial debt is fixed-rate or in any case hedged by derivatives.

In terms of future financing, Veritas should retain its ability to obtain new loans, which will surely charge higher interest rates but can only account for a tiny portion of overall financial costs.

At the moment, higher market rates are expected to persist until at least the second half of 2024.

Measurement of expected credit losses

Concerning expected losses on trade receivables, in 2020 and 2021 the Group had already changed its calculations to reflect payment problems caused by the Covid-19 emergency.

In addition to calculating expected losses through a matrix system based on track records, the Group began to analyze increases in insolvency caused by Covid-related economic restrictions.

These estimates, which had led to an upward revision of the historical insolvency indexes underlying the calculation of expected losses, were revised again this year in view of economic crisis scenarios that see insolvency worsening further.

Going-concern assumption

Given the above, including in terms of medium- to long-term planning, there are no issues regarding the Group's ability to operate as a going concern.

The Group has conducted simulations to assess potential future impacts on its business and financial business plans, which confirm the going-concern assumption.

Climate change risks

The Group is assessing the impacts of its activities on climate change and the risks climate change poses to its business.

Analyses have shown that the Group's activities affect climate change mainly due to the consumption of energy and methane gas to run its facilities, as well as fuel consumption for waste collection and transport. In contrast, circular waste management positively impacts climate change by generating less waste in the future.

The risks that climate change pose to the Group's facilities and operations stem from the intensification of extreme weather phenomena, which affect water resources, wastewater conveyance facilities, and waste collection and street cleaning activities.

This was a year of heat waves, little rain, and drought problems that led to water shortages.

The Veneto Region suffered a lengthy water shortage and with Ordinance n. 37 of May 3, 2022, the regional government declared a state of crisis. Subsequently, in July, the national government declared a state of emergency for the Veneto Region through December 31, 2022 because of the water shortage.

The impact was felt in the summer, especially in the coastal zones where there is extensive tourism and a much greater demand for water. In late July there was a problem with the water quality in the Caorle area, caused by salt wedge intrusion into Livenza river. This required shutting down the drinking water purification plant (used only in the summer months, to meet the higher demand) and taking a series of extraordinary measures that gradually restored service. The emergency lasted one week.

In addition to physical phenomena, climate change has generated profound changes in the regulatory landscape such as the European Green Deal and the EU taxonomy; the Group needs to comply with these new rules and set up an appropriate reporting system. In addition, companies' ratings and access to credit are increasingly linked to the sustainability of their businesses and objective proof of their commitment to fighting climate change.

The measures taken by the Group to counter the effects of climate change, boost resilience, and mitigate its actions include infrastructure work to protect the environment and prevent flooding and spills; planting trees to help reduce CO₂; replacing and upgrading water mains and searching for and repairing leaks; investing in new company premises according to "green" criteria; replacing company fleets with less polluting vehicles (electric, solar powered, or fueled by biomethane produced from the treatment of organic waste); a carbon capture project; and the installation of new photovoltaic plants.

In the coming years, Veritas will continue to work on a solid climate strategy as part of its overall business.

In addition, for the sake of improved awareness, understanding, and reporting of climate change matters, it will pursue an economic and financial assessment of climate risks.

Financial management policies and objectives

The Group's financial management is geared toward helping the company procure and manage the funds necessary for investments in public infrastructure and the industrial activities it carries out on behalf of the community.

It therefore takes a medium- to long-term perspective, seeking an appropriate balance between sources and uses of financial resources, and in the short term making sure there is enough liquidity to meet treasury commitments.

To achieve these objectives, financial instruments are used on both the passive and active sides of liquidity investment.

The Group's policy is not to subscribe to speculative derivative instruments but only to fixed contracts for pure hedging purposes, to avoid interest rate risk (through swaps) or limit it (through caps).

The Group's effective average net financial position (monetary component only) in 2022 was negative by approximately € 243.1 million (€ 237.7 million in 2021) and generated effective gross financial costs to service that debt of € 14.1 million (€ 11.2 million in 2021), for an effective weighted average financial burden of 5.82% (4.73% the previous year).

The external economic and financial scenario in which the Group operated in 2022 was still characterized by steep imbalances due to the energy crisis produced by the war, raw material prices, and logistical bottlenecks post-Covid, all of which created worldwide economic turbulence that was then exacerbated by rising inflation and interest rates; the Group nevertheless maintained its commitments to invest in the community and repay outstanding debt.

Various financing opportunities were exploited to obtain adequate levels of liquidity, resorting to medium-term credit according to the lines of action envisaged in the business plans.

To support long-term investment plans, the following loans were obtained during the year: a € 10 million Sace-backed unsecured loan from Banca Ifis SpA; a € 50 million unsecured loan from the European Investment Bank, to be disbursed in two tranches of € 30 million and € 20 million; and a € 5 million loan from the Energy and Environmental Services Fund (Cassa per i servizi energetici e ambientali, "CSEA") in connection with regulatory rate management, which is effectively a 24-month treasury optimization facility tied to the energy crisis.

The Group's credit risk profile is normal and consistent with industry dynamics, as billing receivables are naturally fragmented, with modest average amounts collectable from a high number of users.

The default rate for waste management receivables (Tariip) has historically been around 5%, low-to-medium for the sector, and continues to stay in that range.

Note that after the changeover to Tari, credit risk in its past and present (and therefore future) dimension is substantially borne by the municipalities, either directly or indirectly, and must be taken into account in the final formulation of the rate.

In the water sector, where default rates are historically lower at around 1% of turnover, the year-on-year trend was stable.

Borrowing risk

In 2022 the Group continued to manage its finances in a manner that, despite the adverse economy, did not substantially increase its borrowing risk even as net debt expanded.

EBITDA decreased slightly, from € 80,767 thousand in 2021 to € 78,641 thousand.

Working capital management (-€ 10.5 million) negatively impacted net debt and liquidity levels.

Operating investments increased to € 74.1 million (from € 65.8 million in 2021), while equity investments produced a positive net cash flow of €2.3 million (negative € 0.2 million the previous year).

Debt refinancing in 2022 entailed taking out € 40 million in new long-term loans, against € 46.8 million in repayments.

The closing net financial position went from -€ 257,983 thousand in 2021 to -€ 265,008 thousand, including the effect of non-cash items (IFRS 16, leases, accrued liabilities, etc.); as a result, the net financial position-to-EBITDA ratio remained sustainable, moving from 3.19 to 3.37.

Note that the Group's indebtedness is always influenced by the size of the parent company's "water assets," whose carrying amount (net of the public grants that partially finance the works) is very high.

Most of these assets, particularly the water and sewage pipelines, have very long useful lives (conservatively estimated at 40 years according to Arera policies) and consequently low depreciation rates.

Since rate recovery, which remunerates this type of investment according to depreciation and financial costs, takes place over a very long period of time, there is a continuous need for capital to be refinanced in the meantime, especially given the unequal duration of bank facilities and lending approaches that favor the short to medium term.

Debt in the form of bank loans (i.e. excluding bonds) has a weighted average remaining life of around 5.9 years, with repayment schedules broken down as follows (actual maturity data):

long-term loans	2023	2024	2025	2026	2027	beyond
234,306	54,347	45,492	39,782	30,813	17,049	46,823

The parent company has issued three bonds with the following characteristics:

	original amount	repayment	maturity
ex-Asi bond (public offering)	15,000	amortizing	2034
Veritas bond (public offering)	100,000	bullet	2027
Veritas bond (private placement)	25,000	amortizing	2038

Some of the long-term loans taken out over the years, as well as the bonds, include covenants requiring compliance with certain economic and financial parameters based on the annual results stated in the consolidated financial statements, the separate financial statements of the parent company, and the financial statements of other Group companies.

For 2022, the Group was in compliance with all such covenants. For further details, see Notes 22 and 23 to the consolidated financial statements.

Liquidity risk and funding risk

The maximum credit risk on the Group's other financial assets, including cash and cash equivalents, financial assets available for sale, loan notes, and certain derivative instruments, is the carrying amount of these assets in the event of the counterparty's insolvency.

The Group controls liquidity risk using a liquidity deployment planning tool. This instrument considers the maturity of both financial investments and financial assets (trade receivables and other financial assets) and expected cash flows from operating activities.

At December 31, 2022, the Veritas Group had undrawn credit lines of approximately € 115.2 million, up slightly from € 111.3 million at the end of the previous year.

Liquidity risk is the risk that available financial resources may be insufficient to cover obligations maturing in the short term, amounting to approximately € 50.1 million in bank loans and € 0.75 million in bonds by December 31, 2023, and to cope with possible negative changes in working capital.

The notion remains that operational investment plans, which are ongoing in both the water and waste management sectors, are matched by rates (though not always in full) due to the regulatory mechanism of rate adjustments established according to the Arera method.

Although they are regulated, both operating sectors (the integrated water service and waste management), while positioning the company as a concession operator without competition, expose future cash flows to the uncertainty of a changing regulatory framework, which appears increasingly restrictive as to the timely recognition of operating costs.

The general economy in 2022 failed to confirm the slight recovery seen late last year; the decline in global GDP is a consequence of the ongoing war, which has caused an energy crisis on top of the Covid-related supply chain problems, wreaking havoc on raw material and commodity prices.

The main effect of these trends has been a steep rise in inflation, leading central banks to raise interest rates and pursue quantitative tightening policies, which have inevitably made an economic recovery all the more difficult.

Financial markets everywhere suffered some of their steepest setbacks: the US indexes lost between 9% and 33% and their European counterparts around 12%.

Governments have sought a delicate balance through contemporaneous economic support policies, ongoing recovery programs in the United States, and the EU's recovery and resilience plans, the outcomes of which are still uncertain.

VAT dispute - waste management rate (Tia)

Ruling 5078/2016 of the joint sections of the Court of Civil Cassation, filed on March 15, 2016, provided the definitive interpretation as to whether VAT applies to the waste management rate ("Tia1") established by Article 49 of Legislative Decree 22/1997.

The ruling, considering the absence of a bilateral relationship between the service and the consideration received by the service provider, defines Tia1 as a tax levy and consequently outside the scope of VAT.

The case in question is long-standing and complex.

Legislative Decree 22/1997 (the Ronchi Decree) replaced the old municipal waste collection tax (Tarsu) with the "tariffa igiene ambientale" (Tia or Tia1). According to an initial interpretation, backed up by circulars from the Treasury, this charge was equated with consideration for a service provided, and was therefore subject to VAT.

However, as a result of Constitutional Court ruling 238/2009 declaring Tia to be a tax, case law established that VAT was not applicable.

In the meantime, Legislative Decree 152/2006 introduced the "tariffa integrata ambientale" ("Tia2") which, in lawmakers' intentions, was to replace Tia1.

Moreover, Article 14, paragraph 33 of Decree Law 78/2010 had established that Tia2 was not a tax.

Finally, Circular 3/2010 of the Ministry of Finance, by equating Tia2 with Tia1, reasserted that VAT should be charged on both rates.

Despite this clear position by the tax authorities, the case law consensus on both the merits and the rule of law refuted the premise of Ministerial Circular 3/2010 which equated Tia1 with Tia2, with the result that Tia1, at least at the case law level, continued to be considered a tax.

Veritas, like all other waste management companies associated with Federambiente-Utilitalia, had not changed the stance it adopted in 2009 when the Constitutional Court issued its ruling, and had suspended VAT refunds to users pending an explicit legislative change to that effect, especially considering that the VAT in question was not in Veritas's hands since as a neutral tax it had always been paid over to the Treasury.

Moreover, in 2012, the Italian Revenue Agency replied to a formal inquiry by Veritas confirming that Tia was indeed subject to VAT, reaffirming the interpretation of the Finance Ministry's controversial Circular 3/2010.

There was now an institutional conflict: while the tax authorities affirmed that charging VAT was correct, case law argued the exact opposite.

With the clarity of the 2016 joint-section ruling of the Court of Cassation, it can no longer be denied that Tia1 is outside the scope of VAT.

The estimated amount of VAT charged by Veritas on Tia1 amounts to approximately € 84 millions over the years, divided almost equally between domestic and non-domestic users.

At any rate, the risk to Veritas is limited, given that:

- VAT is a neutral tax for commercial businesses like Veritas;
- it is inconceivable to expect Veritas to refund the VAT charged to users on Tia1 if the government does not first determine how it is to be returned (multiple years, millions of invoices, hundreds of thousands of users, strong demographic dynamics, etc.);
- at the financial level, Veritas has paid these sums to the Italian revenue agency and does not have the money in hand;
- the neutral nature of VAT means that business users have deducted the charges from their own VAT payments, which by analogy could be interpreted as improper;

- again because of VAT neutrality, there is no rule as to whether the Company should take into account the effect of non-deductible VAT on purchases by the waste management department, as this cost was supposed to be an additional component to be charged back to the user precisely through Tia1;
- if Tia1 is a tax, then Veritas should have invoiced the municipalities rather than the users, and the municipalities, not being able to deduct the VAT, should have added the non-deductible VAT to the Tia1 tax to be charged in turn to the users; the end user would, therefore, still have been required to pay the VAT (either as part of the tax or shown separately on the invoice);
- in denying Veritas's claims to recover VAT on Tia1 that had been refunded to users further to litigation, the Agenzia delle Entrate (Revenue Agency) has so far been consistently unsuccessful against the appeals Veritas has filed (Veritas most recently prevailed in decision 348/2022 by the Veneto Regional Tax Commission, which the Agenzia delle Entrate has not taken to the Court of Cassation).

It should also be noted that for both settled and pending lawsuits demanding that Veritas refund VAT to users, the Agenzia delle Entrate would no longer have any grounds to deny the reimbursement to Veritas of the VAT refunds it has already granted; therefore, the only risk (already provided for in the financial statements) is having to cover the opponent's legal expenses.

In addition, because Tia1 was in effect until 2012 (when it was replaced by Tares and later by Tari), the 10-year statute of limitations has now expired on the chance to file for VAT refunds.

Note also that having Tia1 declared to be a tax with ex ante effect made it possible, in 2016, to recover as income the provision against default risk accumulated in previous years, as it shifted the risk of default to the taxing municipality (the Venice Basin Council also expressed this view in note n. 585 of November 11, 2016).

As things stand, however, although several years have passed since the Court of Cassation ruling of March 2016, the institutional bodies (central government, Ministry of the Economy, or Revenue Agency) have taken no specific, official position on the question of VAT on Tia1 except for a few (now dated) answers to Parliamentary questions.

Furthermore, to a specific query by Veritas, in August 2021 the European Commission replied that the pure and simple refund of unduly levied VAT results in unjust enrichment of the user and, in parallel, in an undue loss for the state treasury.

Concerning the subsequent forms of the waste management rate, i.e. Tia2 under Legislative Decree 152/2006, the rate pursuant to Article 14 paragraphs 29-32 of Decree-Law 201/2011 ("Tares fee"), and the rate per Article 1 paragraph 668 of Law 147/2013 ("punctual Tari" or "Tarip"), in June 2016 the company submitted a further query to the Revenue Agency asking whether it was still correct to charge VAT on these rates, given the reasons underlying the Court of Cassation's ruling that Tia1 is a tax.

The Revenue Agency replied in September 2016, confirming that VAT does apply to these rate forms.

Concerning Tia2 pursuant to Legislative Decree 152/2006, the joint sections of the Court of Cassation, in Rulings 8631/2020 and 8632/2020 of May 7, 2020, affirmed that this is a private business fee subject to VAT, highlighting, among other things, its differences from Tia1 (thus contradicting much of the previous case law opinion that had equated the two charges from a tax point of view).

Finally, ruling 11290/2021 of April 29, 2021, again by the joint sections of the Court of Cassation, affirmed that the "punctual Tari" is also a private business charge subject to VAT.

Other disputes

With a decision dated April 21, 2022 and published on May 17, 2022, the Council of State put an end to the appeals brought by private citizens and various committees against the authorization of Eco+Eco Srl's L1 incinerator. The appeals to the Council of State concerned the decision of the Veneto Regional Administrative Court, second section, n. 01153/2021 (Reg. Prov. Coll. No. 4/2021 Reg. Ric) published on September 30, 2021.

The new decision removes the uncertainties, however remote they seemed to our subsidiary, that hung over the entire facility upgrading project and over the company's goal to be self-sufficient in the production of refuse-derived fuel from the waste collected by the Veritas Group throughout its territory.

As demonstrated by constant checks of the plant's environmental parameters, as required by law and permitting regulations and as carried out under the surveillance and monitoring plan called for by Regional Law 3/2000, the environmental risks remain negligible as in previous years.

Related party transactions

Related party transactions are described in detail in Note 45 to the consolidated financial statements.

Status of assignments

The parent company manages various local public services in the municipal territories of its local shareholders. Some of these, like the integrated water service and the waste management service, have by law a supra-municipal scope covering the "bacino territoriale ottimale e omogeneo" (optimal territorial ambit or OTA).

Regarding the integrated water service, the assembly of the Venice Lagoon Authority (now the Basin Council) has issued various measures recognizing Veritas SpA as an "in-house" company according to the characteristics defined by the European Union; the Venice Environment authority has provided the same recognition for the integrated waste management service with resolution n. 6 of June 30, 2008.

In its resolution of July 30, 2008, protocol n. 806, the Venice Lagoon Authority confirmed "that the duration of the assignment of the integrated water service to Veritas SpA is established until December 31, 2018."

As for the integrated waste management service, the Municipality of Venice, one of the local shareholder entities, stated in Resolution n. 121 of 1999 that the duration of the assignment was to be 20 years (thus until the end of 2019).

The municipal resolutions of the local shareholders that merged Acm SpA, Vesta SpA, and Asp SpA in 2007, in confirming that the new company resulting from the merger, Veritas SpA, would continue to provide the services entrusted to the merged companies, did not change the expiration dates of these assignments.

On July 11, 2016, an agreement was signed for provision of the integrated water service in the Venice Lagoon OTA (protocol n. 1276 of July 12, 2016), amending the previous agreement dated October 19, 2004 (protocol n. 976/2004), whose duration was maintained until December 31, 2018.

On July 16, 2018, the Venice Lagoon Basin Council requested that Veritas SpA be registered in the ANAC list of in-house assignees under Article 192 of Legislative Decree 50 of April 18, 2016. Accordingly, ANAC registered the company with an order signed on February 15, 2022.

On December 20, 2018, the Venice Lagoon Basin Council and Veritas SpA signed an agree-

ment for the provision of the integrated water service in the Venice Lagoon OTA (file n. 44421, repertory n. 141026 of notary Francesco Candiani of Venice) with a duration until December 31, 2038, extendable by discretion of the Basin Council for a period of six months under the same conditions, without prejudice to any different terms that may be permitted or imposed by law.

On the subject of waste, most of the shareholder municipalities of Veritas SpA have passed resolutions pursuant to Article 34 of Decree Law 179/2012 confirming, among other things, that the services currently performed by Veritas SpA and Group companies will continue until June 26, 2038, save for different durations that may result from imminent legislation and without prejudice to any spin-off measures that may be imposed by future legislation and the application of current laws.

On November 24, 2014 the Venice Environment Basin Council was established with the signing of the "Convention for the establishment and operation of the Venice Environment Basin Council concerning the integrated municipal waste management service in the Venice basin" by the representatives of all 44 municipalities of the Venice metropolitan area and the municipality of Mogliano Veneto. The Basin Council's takeover of the activities and legal relationships of Ato Venice Environment (in liquidation) was finalized with Basin Committee Resolution n. 3 of April 27, 2015.

With Basin Assembly Resolution n. 11 of December 17, 2015, the Venice Environment Basin Council expressed its intention to align the different expirations of the waste management assignments resolved by the municipalities served by Veritas, leaving the decision to subsequent assemblies.

Resolution n. 3 of the Venice Environment Basin Assembly of May 25, 2016 approved the definitive alignment of the expiration dates of the integrated waste management assignments in the municipalities served to June 2038, as already resolved by a broad majority of the municipalities themselves (36 out of 45) and soon to be resolved by the other eight municipalities whose assignments were expiring in 2016 or would have expired before 2038, and by the municipality of Mira, which by Resolution n. 115 of December 23, 2013 had set an expiration date of December 31, 2038 for its service.

In February 2019, the Basin Council took the initial steps for aligning the expiration date of the in-house assignment in the municipality of Venice. With Assembly Resolution n. 12 of November 15, 2019, the Basin Council approved the Report pursuant to Article 34 of Decree Law 179/2012 which defines and explains the choice of the in-house model for the assignment to Veritas SpA of the municipal waste service in the municipality of Venice, aligned the expiration date of Venice's in-house waste management assignment to 2038 along with the relative service contract outline, and postponed to a subsequent measure the alignment of the expiration date for the two municipalities of Scorzè and Fossalta di Piave.

On July 2, 2018, the Venice Environment Basin Council requested that Veritas SpA be registered in the ANAC list of in-house assignees under Article 192 of Legislative Decree 50 of April 18, 2016.

The Venice Environment Basin Council, with Institutional Committee Resolution n. 7 of February 13, 2020, approved the new service contract model in place of the model approved by Basin Assembly Resolution n. 12 of November 15, 2019, to be signed between the Basin Council, the Municipality of Venice, and the operator Veritas SpA.

In 2015 most of the local shareholders of Veritas approved plans for the rationalization of the investee companies and corporate shareholdings in implementation of Article 1, paragraph 611 of Law 190/2014 (2015 Stability Law); Veritas, in line with the plan approved by the local shareholders, by resolution of the ordinary shareholders' meeting of June 26, 2015 approved the *Rationalization and management plan for Veritas SpA shareholdings 2013-2016*.

Veritas's Board of Directors approved a revision of this plan on March 17, 2016, previously approved by the Coordination and Control Committee on the same date. In its updated ver-

sion, the plan called for the merger into Veritas SpA of the companies Asi SpA (at the time manager of the integrated water service in the municipalities of Caorle, Ceggia, Cessalto, Eraclea, Fossalta di Piave, Jesolo, Musile di Piave, Noventa di Piave, San Donà di Piave, Torre di Mosto, and Zenson di Piave) and Alisea SpA (at the time manager of the integrated waste cycle in the municipalities of Ceggia, Eraclea, Fossalta di Piave, Jesolo, Musile di Piave, Noventa di Piave, and Torre di Mosto).

Asi SpA, Alisea SpA, and Veritas SpA, consistently with the regulatory provisions in force and the guidelines of the competent Basin Councils, drew up merger plans allowing the above services to be handled by a single operator for each area or territorial basin. Asi SpA was merged into Veritas in 2017, followed by Alisea in 2018.

The subsidiary Asvo SpA is the in-house assignee of the waste management service for the eleven shareholder municipalities, which are also shareholders of Veritas.

As concerns waste treatment, in the Fusina area, the subsidiary Ecoprogetto Venezia Srl (now Eco+Eco) manages the integrated waste treatment and recycling center for residual municipal waste for the Venice Environment basin, which includes the municipalities that use the Veritas Group for municipal waste collection, transport, and treatment. This is also a logistics station for transferring, sorting and shredding many of the separately collected fractions of waste.

The subsidiary Eco-ricicli Veritas Srl (now merged into Eco+Eco Srl) selects and treats separately collected waste (glass, paper, plastic, metals, etc.) for recycling, and deals with collection and logistics/transport in relation to the materials to be selected. It treats the materials delivered by the Group and those collected separately by other operators in the area for subsequent delivery and treatment, mainly within supply chain consortia.

In 2015 the Municipality of Venice granted Veritas a 20-year renewal of its cemetery services contract, valid until September 30, 2035.

The parent company also manages cemetery services in the municipalities of Spinea, Martellago, and Mirano (until June 30, 2023) and Dolo (until June 30, 2027).

In June 2020, under a contract valid through 2046, Veritas began to manage the crematorium of the Conegliano cemetery built by the associate Veritas Conegliano; its contract for the management of the Spinea cemetery crematorium expires in 2038.

Regarding the laying of footbridges for high tide, solely for the municipality of Venice, the concessions with Veritas had been extended annually through December 31, 2019. By resolution of the City Council of December 18, 2019, the high tide gangway laying service is now assigned to Veritas until June 26, 2038.

With the same resolution, the Municipality of Venice granted Veritas an in-house contract for the deratization, disinfection, and pest control service until November 30, 2024, and in keeping with the duration of the integrated water service assignment approved by the Venice Lagoon Basin Council, contracted it to manage the mainland and Lido storm sewage lifting plants and mobile barriers in Malamocco, as from December 2019, and to operate and maintain Venice's fire hydrant system from December 1, 2019 until December 31, 2038.

Veritas SpA's concession for the management of public toilets, again in the Municipality of Venice, is extended year by year and currently expires on December 31, 2023.

As for management of the fish market in the Municipality of Venice, the parent company plans to discontinue this service and refer it back to the granting body for new regulations, also given the changed legislation in the sector and the territorial conditions under which it is carried out. In any case, financially speaking, this is a marginal activity.

Veritas operates the public lighting and heat management service for the municipality of Chioggia, under a contract valid through 2030.

It also handles public lighting for the municipalities of Fossalta di Portogruaro (through 2029)

and Fiesso d'Artico (through 2027), and heat management for Fossalta di Portogruaro under a contract expiring on September 30, 2023.

Asvo SpA has been the in-house provider of cemetery services for the municipalities of Portogruaro (since 2018) and San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro, and Cinto Caomaggiore (since 2019). Since 2019 it has maintained the public green areas of the Municipality of Portogruaro and since 2020 those of San Michele al Tagliamento and Fossalta di Portogruaro.

The Depuracque group, a subsidiary since July 2018, operates in the management, transport, and disposal of hazardous and non-hazardous waste, environmental remediation, effluent and waste water treatment, chemical analysis, and environmental consulting through interaction with Veritas SpA and various group companies.

The Environmental Code

Of relevance to the integrated water and waste management services are the rules contained in Legislative Decree 152/2006 (the Environmental Code).

Regarding the integrated water service, note should be taken of the Environmental Code's Article 147, as modified by subsequent legislation.

According to that article, "Water services are organized based on the optimal territorial ambits defined by the regions in implementation of Law 36 of January 5, 1994. The regions that have not identified an ambit's governing body shall do so by the deadline of December 31, 2014. Once that deadline has elapsed, Article 8 of Law 131 of June 5, 2003 shall apply. The local authorities falling within the same optimal ambit must participate in the ambit's governing body, identified by the competent region for each such ambit, which shall take over the responsibilities for water resource management including the planning of the water infrastructures referred to in Article 143, paragraph 1."

Article 149 *bis* of the Environmental Code, added by way of Article 7(1)(d) of Decree Law 133 of September 12, 2014 that was converted with amendments into Law 164 of November 11, 2014 and amended by Article 1(615) of Law 190 of December 23, 2014, expressly recognizes the possibility to assign the integrated water service directly to in-house companies.

Regarding the integrated waste management service, Article 200 of the Environmental Code states that "The management of municipal waste is organized on the basis of optimal territorial ambits, hereinafter also referred to as OTAs, delimited by the regional plan referred to in Article 199, in compliance with the guidelines pursuant to Article 195(1)(m)(n)(o) and according to the following criteria:

- a) creation of an integrated waste management service to solve the problem of fragmentation;
- b) achievement of adequate operational size, based on physical, demographic and technical parameters and political-administrative subdivisions;
- c) adequate evaluation of the road and rail communication system to optimize transport within the OTA;
- d) valorization of common needs and similarities in waste generation and management;
- e) survey of waste management facilities already built and in operation;
- f) consideration of the previous boundaries so that the new OTAs deviate from them based only on a well-founded need for effectiveness, efficiency and economy.

According to Article 202 of the Environment Code, the waste management service has to be organized in compliance "with EU principles and provisions, following the regulations in force with respect to the assignment of local public services...".

In 2020, several legislative decrees were issued to incorporate the EU circular economy

measures, which amended six directives on waste and landfills; in particular, Legislative Decree 116/2020 introduced significant changes to Legislative Decree 152/2016, concerning, among other matters, the definition of "municipal waste."

With this in mind, in 2021 Veritas SpA took a series of initiatives to address these regulatory changes, including a form of communication/publicity aimed at informing stakeholders of the chance to make this choice by June 30 and attain a redefinition of taxable surface area for the following year.

On December 21, 2022 the Council of Ministers gave final approval to amendments and corrections to Legislative Decree 116/2020, implementing Directive (EU) 2018/851 which modified Directive 2008/98/EC on waste, and Directive (EU) 2018/852 which modified Directive 1994/62/EC on packaging and packaging waste. The text takes into account the opinions of the Unified Conference and the competent Parliamentary commissions.

European legislation

The legitimacy of assigning public services to in-house companies was confirmed by Directive (EU) No. 23 of February 26, 2014 on the award of concession contracts and by Directive (EU) No. 24 of February 26, 2014 on public procurement.

Public Contracts Code

The EU directives were incorporated into Italian law with Legislative Decree 50 of April 18, 2016 (the Public Contracts Code), as later amended. Article 5 of the Public Contracts Code, as amended by Article 6(1) of Legislative Decree 56 of April 19, 2017 describes the requirements for in-house assignments.

More specifically, Article 192 ("special rules for in-house assignments") of Legislative Decree 50/2016, as amended by Legislative Decree 56/2017 in effect since May 20, 2017, states as follows:

- 1. A list of contracting authorities and contracting entities operating through a direct assignment to their in-house companies, as referred to in Article 5, shall be established at ANAC to ensure adequate publicity and transparency in public contracts. Inclusion in the list takes place upon application after the requirements have been verified, following the procedures and criteria the Authority defines by its code. The Authority for collecting the information and verifying the requirements above operates through computerized procedures, also through connection, based on appropriate agreements, with the relevant systems in use by other public entities and other entities operating in the field of public contracts. The application for registration enables contracting authorities and contracting entities under their responsibility to assign contracts to the entity directly. This is without prejudice to the obligation to publish the acts connected with the direct awarding itself following paragraph 3.*
- 2. To award a contract concerning services available on the market under competitive tendering, contracting authorities shall first assess the economic appropriateness of the offer of in-house entities, having regard to the subject matter and value of the service, stating the reasons for not having recourse to the market, as well as the benefits for the community of the form of management chosen, also regarding the objectives of universality and sociality, efficiency, cost-effectiveness and quality of the service, and the best use of public resources.*
- 3. On the buyer's profile in the Transparent Administration section, all acts related to the awarding of public contracts and concession contracts between entities within the public sector, where not secreted under Article 162, shall be published and updated in the open-data format following the provisions of Legislative Decree 33 of March 14, 2013.*

The Venice Lagoon and Venice Environment Basin Councils, in relation to the services managed by Veritas SpA, submitted to the National Anticorruption Authority (ANAC) an application to have Veritas SpA registered on the list of contracting authorities and entities operating

through direct assignment to in-house companies under Article 192(1) of Legislative Decree 50/2016, producing the documentation necessary to demonstrate satisfaction of the in-house criteria.

ANAC approved the application for Veritas SpA on February 15, 2022.

Note that on March 28, 2023 the Council of Ministers gave definitive approval with modifications to a decree revoking the Public Contracts Code, in implementation of Article 1 of Law 78 of June 21, 2022. The text takes into account the opinions of the Unified Conference and the competent Parliamentary commissions. The new Public Contracts Code came into force on April 1, 2023 and the provisions of the code, with their attachments (some of them already replaced or modified pursuant to the relevant provisions), will take effect on July 1, 2023.

Consolidated Law on Publicly Owned Companies

On September 23, 2016, Legislative Decree 175 of August 19, 2016 (The Consolidated Law on Publicly Owned Companies) came into force implementing Article 18 of Law 124 of August 7, 2015 on the reorganization of public entities (otherwise known as the Madia Law), and was subsequently amended by Legislative Decree 100 of June 16, 2017, Law 205 of December 27, 2017, and Law 145 of December 30, 2018. It regulates *“the establishment of companies by public entities, as well as the acquisition, maintenance and management of shareholdings by such administrations, in companies with total or partial public ownership, whether direct or indirect.”*

Concerning the subjective scope of Legislative Decree 175/2016 as amended, Article 1(5) reads: *“5. The provisions of this decree apply, only where expressly envisaged, to listed companies as defined in Art. 2(1)(p), as well as to companies controlled by them,”* whereas Article 2(1)(p) defines listed companies as *“publicly owned companies that issue shares listed on regulated markets; and companies that have issued, as of December 31, 2015, financial instruments other than shares that are listed on regulated markets.”*

The parent company meets the above definition of a listed company because in November 2014 it issued bonds listed on regulated markets as a result of proceedings undertaken at the beginning of that year, assuming PIE (public interest entity) status under Article 16(1) of Legislative Decree 39/2010. It is therefore subject to the provisions of Legislative Decree 175/2016 (as amended) only where expressly envisaged; where there is no express provision in this sense, the Consolidated Law does not apply. In any case, the Consolidated Law on Publicly Owned Companies does not appear to contain any provisions that could directly affect the duration of existing assignments.

Paragraph 1 of Article 16 states that in-house companies shall receive directly assigned public contracts from the authorities that control them, or from each of the authorities exercising joint control over them, only in the absence of private investors, except where required by law and in a form that does not entail control or veto power or the exercise of a dominant influence.

Paragraph 3 requires the articles of association to state that more than 80% of the turnover must be made in the performance of the tasks assigned to the company by the public shareholder or shareholders, while paragraph 3 *bis* provides that production in addition to the predominant activity is permitted only on the condition that it allows for economies of scale or other productive efficiency gains in the performance of the company's core business.

Finally, paragraph 7 requires compliance with the Public Contracts Code for the purchase of works, goods and services.

Consolidated Law on Local Public Services

Legislative Decree 201 of December 23, 2022 ("New rules for local public services of economic importance") came into effect on December 31, 2022, in implementation of Article 8 of the annual law on markets and competition (Law 118 of August 5, 2022), which authorized the government to set new rules for economically important local public services including the form of a consolidated law.

Of particular note are the definitions contained in that decree at Article 2(c)(d), which defines local public services of economic importance as *"services provided or providable for economic consideration across a market, which would not be carried out without public intervention or would be carried out under different conditions in terms of physical and economic accessibility, continuity, non-discrimination, quality and safety, which are provided for by law or which local public entities, within the scope of their responsibilities, deem to be necessary to ensure satisfaction of the needs of the local communities, so as to guarantee uniform development and social cohesion,"* and networked public services as *"local services of general economic interest that can be organized through structural networks or functional connections among the sites of production or provision of the service, under the regulation of an independent authority."*

Article 14 of Legislative Decree 201/2022 identifies the different forms of local public service from which the contracting entity can choose, including assignment to an in-house company, within the constraints of EU law and according to the procedures set forth in Article 17. For the purposes of choosing the form of service and defining the contractual relationship, the local entity and the other competent entities must take various elements into account, including the results of any previous provider of the same service.

Before beginning the assignment process, a report is written describing the outcomes of the assessment and the reasons for choosing the particular form of service; in the case of networked public services, the certified financial plan must be attached to the report.

Article 17 of Legislative Decree 201/2022, on the subject of assignments to in-house companies, requires that if the amount of such an assignment exceeds the EU limit, the local entities and the other competent entities must pass a resolution granting the assignment on the basis of a qualified rationale that expressly states the reasons for not resorting to the market. This reflects the principle of delegation pursuant to Article 8(2)(g) of Law 118/2022, which requires the local entity to justify its reasons for any assignments exceeding the threshold.

Regarding the duration of assignments, Article 19 of Legislative Decree 201/2022 states that they cannot exceed the amount of time needed to amortize the planned investments and that the assignment of non-networked local public services to in-house companies cannot have a duration of longer than five years, unless the assigning entity explains the reasons for a longer duration in the resolution approving the assignment.

As for periodic checks of the local public service, Article 30 of Legislative Decree 201/2022 requires municipalities or groupings with populations of more than 5,000 to conduct routine performance reviews of the local public services assigned within their territories, the results of which are presented in a report to be updated annually at the same time as the entity reviews its investee companies in accordance with Article 20 of Legislative Decree 175/2016.

2.1.3 Significant events during the year

Significant events with the potential to influence business performance are reported below.

Covid-19 pandemic, consequences of the Russia-Ukraine conflict, current macroeconomic scenarios, climate change

For information on the above, see Section 2.1.2, *Risks and uncertainties*.

Water service regulation and rates

Since 2020, the regulatory period (2020-2023) governed by the Mti-3 method (Arera Resolution 580/2019/R/idr) has been in force.

With Resolution n. 17 of December 17, 2020, the Venice Lagoon Basin Council approved the regulatory scheme for the period in question, defining rates applicable for 2020-2021 and estimated rates for 2022-2023, subject to updating every two years.

In turn, Arera approved that scheme, with modifications, with Resolution 46/2021/R/idr of February 9, 2021.

This year, therefore, the Basin Council passed Resolution n. 11 of November 14, 2022 approving the biennial rate update for 2022-2023.

With Resolution 687/2022/R/idr of December 13, 2022, Arera approved, with modifications, the 2022-2023 biennial rate update. The modifications Arera made to the Basin Council's resolution were limited to the individual components of guaranteed revenue constraint (Vrg), while the total Vrg and theta indexes were confirmed.

The biennial rate update raised annual rates by 7% for both years, 2022 and 2023.

This year also saw the first-time application of the technical quality regulation incentive (RQTI), with reference to technical and operational data for the years 2018-2019. The Authority's analysis of the data made it possible to govern the results of 203 operators, which together serve 84% of the national population. Total premiums approved amounted to some € 135.4 million, of which each "winner" received its share on the basis of individual performance.

Veritas, for its performance in 2018-2019, achieved a premium of € 1 million against penalties of around € 0.2 million.

Waste management service rates

Arera Resolution 363/R/rif of August 3, 2021 approved the new waste rate method (Mtr-2) for regulatory period 2022-2025, which replaced the previous Mtr method in effect for 2020-2021.

The Venice Environment Basin Council approved the 2022-2025 FPs with the new method, for both Veritas and Asvo, with Resolution n. 7 of April 14, 2022.

One of the most important changes in the new method is the possibility to include in future FPs, without prior confirmation by Arera, the shares of over-cap costs excluded from financial plans for purposes of the subsequent rate package.

This allows the company to account for the revenue associated with those shares in the year to which it pertains, by recognizing a receivable for rate adjustments, at least for the shares included in future FPs approved by the Basin Authority.

The national authority has not yet approved the rate adjustments over the 6.6% cap submitted in the FPs for 2020 and 2021, although the Basin Council has partially included them as components of the 2022-2025 FPs.

With Resolution 15/2022/R/rif of January 18, 2022 Arera adopted the "Consolidated law for regulating the quality of the municipal waste management service" (TQRIF), introducing minimum, uniform contractual and technical quality obligations for all operators along with quality indicators, which will have significant organizational repercussions on the service provided and entail the large-scale implementation of existing management and monitoring systems.

Equity investments and acquisitions

In 2022 the shareholder municipalities continued to rationalize their investments as resolved pursuant to the "Consolidated Law on investee companies" (Legislative Decree 175/2016).

In May 2022 Veritas finalized the purchase from its associate Sifa Scarl of the business unit that operates the preliminary waste storage platform known as "area 23ha."

In July 2022 Veritas acquired from various private shareholders an additional 23.7% interest in Veritas Conegliano Srl, raising its total ownership to 72.5% and taking control of the company as initially envisaged in the project financing plan underlying the company's formation.

On November 1, 2022 Eco-ricicli Veritas Srl was absorbed by Ecoprogetto Venezia Srl, whose name was changed immediately to Eco+Eco Srl.

As a result of this merger by incorporation and given the two companies' values as assessed for the merger plan and the subsequent share swap, Veritas now owns 52.46% of the new company Eco+Eco and Asvo owns 15.85%.

The subsidiary Mive Srl, in liquidation since 2014, underwent a complex operation in 2022 entailing:

- the sale of Mive's remaining assets to Veritas (September 2022);
- the company's exit from liquidation, coverage of losses, reconstruction of share capital, and change of name to Nuova energia Srl (also September 2022);
- the sale of Veritas's 100% stake in the company to Eco+Eco Srl (November 2022);
- Eco+Eco Srl's sale of a 51% interest to a private shareholder (December 2022).

Therefore, at December 31, 2022, Nuova energia is no longer a subsidiary of Veritas but an associate.

On November 30, 2022 the company Ecodistretto trasporti Scarl was formed, owned 70% by Eco+Eco and 10% by Metalrecycling.

Given this ownership structure, it has been included in the Veritas Group's scope of consolidation starting on that date.

The investee companies continue to play a fundamental role in contributing to the Group's industrial and market management, by providing it with the necessary strategic flexibility in conducting its business activities.

Other events

In January 2022 the transition to a unit pricing system for waste management also began in the municipality of Cona.

In February 2022, rulings by the Appeals Court of Auditors in Rome put an end to the dispute over the non-transfer to the Municipality of Venice of the amounts collected for the fee under Law 206/1995 and cemetery concessions for the years 2012-2015, which arose when the Veneto Court of Auditors contested the 2015 agreement between Veritas and the municipality of Venice as concerned the payment of that amount in installments over a 10-year period. The rulings, while confirming that this kind of debt cannot be paid in installments, dismissed from the case the amounts due before January 1, 2012 and absolved Veritas with regard to 2015. Veritas therefore paid the amount determined in the ruling, including interest. Subsequently, Veritas and the municipality of Venice agreed to settle their respective balances remaining under the 2015 agreement through payment of a single lump sum, in order to terminate that agreement once and for all.

In March 2022, the Antitrust Authority gave Veritas the maximum legality rating of three stars. The legality rating is an indicator certifying the reliability, reputation, integrity, and ethical standards of Veritas.

In July 2022 Veritas began to operate the cemetery service for the municipality of Dolo.

In October 2022 the Consorzio di Bonifica Riconversione Produttiva Fusina finished testing the urban infrastructure works of the former Alcoa zone. This allowed the consortium to allot the works to the different owners, including Veritas, which owns 72% of the total area. Now Veritas can begin building the plants and systems for the area as established in the plans for Ecodistretto Marghera.

In November 2022 Veritas acquired from Eco+Eco the real estate complex in Fusina where the Green Propulsion Laboratory and the biomethane distribution plant are located.

In December 2022 an agreement was signed with the local labor unions for the definition of an intergenerational turnover contract pursuant to Article 41 of Legislative Decree 148/2015. This could allow the early retirement of, potentially, 164 employees, although the estimated number of those accepting is around 120. They will conclude their employment during the course of 2023, at which time workforce efficiency procedures will be implemented.

In terms of financing, on July 27, 2022 Veritas took out a € 50 million loan from the European Investment Bank, disbursed in two installments of € 30 million (in August 2022) and € 20 million (in February 2023).

Government regulations

Once again this year, there were changes in government regulations that required constant efforts of interpretation and compliance, specifically with regard to:

- *electronic invoicing*. After the start of mandatory invoicing in xml electronic format as from January 1, 2019, requiring the transmission of invoice data to the public platform (SDI), and the introduction in 2020 of a new xml format mandatory from January 1, 2021 for VAT codes and from January 1, 2022 (later extended to July 1, 2022) for document types, in October 2022 the xml format was changed once again with new, more stringent rules for the document types pane. Veritas has adapted to the new rules with the necessary IT updates.
- *EU taxonomy for sustainable investments*. As part of the European Union's plan of action to finance sustainable growth it has published Regulation (EU) 2020/852 (Taxonomy Regulation), aiming to create a single classification system for sustainable activities based on six environmental objectives: climate change mitigation, climate change adaptation, sustainable use of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The taxonomy imposes a new reporting obligation on companies already required to publish non-financial statements, which are now asked to include information on how and to what extent their businesses are associated with economic activities considered to be environmentally sustainable by presenting various key indicators (share of turnover, share of investments, and share of costs). The new reporting obligation will be phased in gradually, both in terms of the scope of activities to be considered environmentally sustainable (for now, only climate change mitigation and adaptation) and in terms of the level of disclosure required in the non-financial statement. While for 2021 the only requirement was to identify and map "eligible" and "non-eligible" activities relating to the two climate change objectives, starting in 2022 the technical screening criteria for the key indicators defined as eligible will be fully in force, meaning activities will be identified as "aligned" or "non-aligned" with the taxonomy (again with reference, for now, to the two climate change objectives only). As for the extension of reporting to the other four environmental objectives, the European Commission is still determining the specific activities that contribute to attaining those objectives and the relative technical screening criteria for alignment, and as of this writing no deadline has been set.

2.1.4 Business outlook

The performance of the early months of 2023 mirrors the uncertainties of 2022 as concerns inflation and the war in Ukraine.

The Group is monitoring the impact of these scenarios, particularly on the measurement of expected credit losses, with a special focus on billing.

Veritas SpA is also preparing for the eventuality of a summer drought, in light of the low precipitation in the winter of 2022-2023.

As for environmental regulation, the application of the 2023 FPs makes reference to what was approved in April 2022 with the validation of the 2022-2025 FPs for the 45 municipalities served by the Group prepared according to the new Mtr-2 method by the Venice Environment Basin Council, while the municipalities are still in the process of adopting the Tari or Tarip rate packages for 2023.

Meanwhile, in May 2023 Arera definitively approved the 2022-2025 FPs for the municipalities of Jesolo, Martellago, and Spinea.

The Group is waiting for Arera to determine how rates will be updated for 2024-2025, as provided for by the Mtr-2 method.

Regarding the application of the new rate method to treatment and disposal plants, in February and March 2023 the Lombardy Regional Administrative Court issued some rulings ordering the cancellation of some parts of Resolution 363/2021 (Mtr-2). This has suspended the approval process of the new rates by the competent authorities.

Concerning water rates, the parent company is charging the 2023 rate as approved by Arera with Resolution 687 of December 13, 2022 when it updated rates for 2022-2023 within the four-year regulatory period covering 2020 through 2023, in accordance with the Mti-3 method.

The four years regulated by the Mti-3 method come to an end with 2023.

Arera will be devising a new water rate method for the next four years, which one hopes will include an update to the method for calculating Opex, whose current values still essentially refer to 2011 data that is only adjusted for planned inflation.

The streamlining of investee companies continues in 2023.

The Group is preparing to merge Asvo's waste management services into Veritas, which should take place starting in January 2024.

In 2023 the Group will be working on integrating the two companies merged in November 2022, Eco-ricicli Veritas Srl and Ecoprogetto Venezia Srl.

Several investment plans embarked on by Eco+Eco in previous years, in terms of obtaining permits and designing plants and buildings, will reach a more mature phase in 2023 and start to come to fruition.

In the former Alcoa zone, work on the L2 line will begin in the first half of the year, and on the Mpo lines during the second six months.

In 2023, the revamping of the Csx1 plant will begin, which will produce economic benefits by reducing the cost of waste transport within the building and boosting revenue from the sale of reusable materials.

While maintaining its strategy of expansion in the special waste market, on March 14, 2022 the subsidiary Metalrecycling was forced to terminate its business unit lease with Veneta Fercart due to the owner's serious breaches of commitments at the Campagna Lupia site for the pre-treatment of waste produced by non-domestic users, also known as "special waste." The resulting litigation is still in course and should conclude during the course of 2023.

Concerning the reorganization of logistics on behalf of Veritas Srl under an assignment granted as part of a project financing arrangement, in late 2022 Eco+Eco sold to Metalrecycling its entire transport business, consisting of 116 industrial vehicles (owned, leased or rented), 56 employees, and sundry equipment. The sale took effect on January 1, 2023.

Finally, in March, due to the many operational and safety problems with the management of the mixed scrap metal treatment plant assigned to the subcontractor Ecosorting Venice Srl, Metalrecycling sent a proposal for termination of the contract by mutual consent. The consequent insourcing of the process will improve the quality (a critical issue under the subcontracting arrangement) and minimize the risk of downtime caused by safety measures not being entirely under the subsidiary's control.

In 2023, Lecher Ricerche e Analisi will finalize the 100% acquisition of Euroscavi Srl based in Badia Polesine (RO), a construction company with environmentally friendly technology for trenchless pipe lining. A down payment of € 500 thousand was paid in 2022 upon signature of the preliminary agreement.

Veritas is currently negotiating the purchase of the controlling interest held in Sifa Scarl by a private shareholder, which would mean acquiring control of the company and consolidating it within the Group.

In January 2023 Rive made its final € 4,478 thousand payment on a mortgage loan and contracted a new, long-term unsecured bank loan of € 7.6 millions to finance investments; with the approval of the revised business plan, a € 400 thousand loan from the shareholders was also approved.

Nuova Energia's General Meeting of March 6, 2023 voted to cover the loss shown in the 2022 draft financial statements through direct contributions by the shareholders, which were completed by March 31, 2023. The General Meeting also approved a capital increase of up to € 1 million by issuing new stock to be optioned to the existing shareholders.

On that occasion, the shareholders voted to pay for 25% of the approved share capital in cash, with the option to call up the remainder by December 31, 2023.

For now, the increase has been subscribed only by the controlling shareholder, Finam, and not by Eco+Eco. This means that Eco+Eco's share currently amounts to 1.89% and the company is no longer an associate of the Veritas Group.

The General Meeting also approved a name change to Mia energia Srl.

2.2 Consolidated Statement of Financial Position

assets (in euros)	Note	Dec. 31, 2022	Dec. 31, 2021
non-current assets			
intangible assets	6	21,831,952	21,485,097
service concession arrangements	6	283,422,558	268,035,462
goodwill	7	21,223,424	21,223,424
property, plant and equipment	8	365,932,378	343,090,348
investment property	9	2,494,400	18,411,805
investments in associates and joint ventures	10	14,461,464	15,264,192
other equity investments	11	1,863,664	1,529,948
receivables due from shareholders	16		1,998,181
receivables due from associates	17	12,983,463	14,160,748
other financial assets	12	9,635,481	8,212,904
receivables due from subsidiaries held for sale	5		
income tax credits	19	549,474	516,010
deferred tax assets	43	28,825,523	25,506,012
total non-current assets		763,223,781	739,434,131
current assets			
inventories	13	12,344,901	10,068,179
contract work in progress	14	3,768,094	7,362,073
trade receivables	15	139,426,465	115,053,861
receivables due from shareholders	16	24,602,979	26,228,531
receivables due from subsidiaries held for sale	5		
receivables due from associates	17	4,959,601	3,797,688
other receivables	18	16,479,995	10,955,206
current tax assets	19	6,238,141	3,503,780
cash and cash equivalents	20	148,429,093	161,871,698
derivative financial instruments	30	4,234,269	37,131
total current assets		360,483,538	338,878,147
assets held for sale	5		182,203
total assets		1,123,707,319	1,078,494,481

liabilities and equity (in euros)	note	Dec. 31, 2022	Dec. 31, 2021
equity			
share capital	21	145,397,150	145,397,150
own shares	21	-640	-640
reserves	21	145,285,673	134,296,067
equity attributable to owners of the Parent		290,682,183	279,692,577
capital and reserves attributable to non-controlling interests	21	29,377,145	29,442,539
equity attributable to non-controlling interests		29,377,145	29,442,539
total equity		320,059,328	309,135,116
non-current liabilities			
non-current financial liabilities	22	179,958,602	189,458,268
non-current financial liabilities from other lenders	23	154,606,208	155,066,657
provisions for risks and charges	24	76,559,199	68,215,507
retirement benefit obligations	25	20,443,471	23,652,310
payables due to subsidiaries held for sale	5		
payables due to shareholders	26	8,758,807	9,375,386
payables due to associates	27		2,222,129
other non-current liabilities	28	27,980,857	21,932,793
deferred tax liabilities	43	4,455,235	4,183,992
total non-current liabilities		472,762,379	474,107,042
current liabilities			
trade payables	29	114,745,811	102,372,496
payables due to shareholders	26	95,865,729	83,188,811
payables due to subsidiaries held for sale	5		
payables due to associates	27	10,453,391	8,625,064
current financial liabilities and current portion of long-term loans	22	54,437,607	47,429,669
current financial liabilities from other lenders	23	14,847,545	15,325,500
derivative financial instruments	30		130,398
other current liabilities	31	39,844,988	37,991,554
current tax liabilities	32	690,541	188,831
total current liabilities		330,885,612	295,252,323
liabilities held for sale	5		
total liabilities		803,647,991	769,359,365
total liabilities and equity		1,123,707,319	1,078,494,481

2.3 Consolidated Statement of Profit or Loss and Other Comprehensive Income

consolidated statement of profit or loss (in euros)	note	2022	2021
continuing operations			
revenues from sales and services	33	481,452,320	443,924,186
other income	34	20,235,640	11,262,545
total revenues		501,687,960	455,186,731
raw and ancillary materials and consumables used	35	-48,577,775	-37,595,059
costs for services	36	-174,614,032	-150,050,917
costs of use of third-party assets	37	-6,119,146	-5,472,656
personnel costs	38	-179,192,720	-172,794,947
other operating expenses	39	-18,664,178	-15,501,969
amortization, depreciation and impairment losses	40	-55,028,859	-50,528,397
operating profit/(loss)		19,491,250	23,242,786
share of results of equity-accounted investees			
	41	-7,428	839,226
financial costs	42	-17,944,277	-14,920,750
financial income	42	3,905,518	4,234,093
profit before tax		5,445,063	13,395,355
income tax for the year	43	710,383	-801,185
profit for the year from continuing operations		6,155,446	12,594,170
discontinued operations			
profit for the year from discontinued operations			
profit for the year		6,155,446	12,594,170
profit for the year attributable to non-controlling interests		-1,130,804	-135,814
profit for the year attributable to owners of the Parent		7,286,250	12,729,984
other comprehensive income	note	2022	2021
consolidated profit for the year		6,155,446	12,594,170
items that may be reclassified subsequently to profit or loss			
gain/(loss) on cash flow hedges	30	3,588,003	541,325
income tax relating to items that may be reclassified subsequently to profit or loss		-868,403	-107,169
items that will not be reclassified subsequently to profit or loss			
(loss)/gain on remeasurement of defined benefit plans	25	2,143,053	41,342
income tax relating to items that will not be reclassified subsequently to profit or loss		-514,333	-9,922
other comprehensive income for the year net of income tax		10,503,766	13,059,746
attributable to:			
owners of the Parent		11,090,281	13,163,870
non-controlling interests		-586,515	-104,124
other comprehensive income for the year net of income tax		10,503,766	13,059,746

2.4 Consolidated Statement of Changes in Equity

(in euros)	share capital	legal reserve	own shares	other reserves	measurement of associates with equity method	profit/(loss) att. to owners of the parent	total equity att. to owners of the parent	capital and reserves attr. to non-controlling interests	profit/(loss) attr. to non-controlling interests	total equity attr. to non-controlling interests	total equity
balance at January 1, 2021	145,397,150	4,258,111	-640	110,451,347	154,000	6,260,160	266,520,128	31,294,051	-1,576,388	29,717,663	296,237,791
capital increase											
allocation of previous year's profit		237,443		6,022,717		-6,260,160		-1,576,388	1,576,388		
own shares held business combinations and perimeter changes								-175,623		-175,623	-175,623
other changes				8,580			8,580	4,620		4,620	13,200
dividends											
other comprehensive income profit for the year ended December 31, 2021				433,886			433,886	31,690		31,690	465,576
						12,729,984	12,729,984		-135,814	-135,814	12,594,170
balance at December 31, 2021	145,397,150	4,495,554	-640	116,916,529	154,000	12,729,984	279,692,577	29,578,353	-135,814	29,442,539	309,135,116
balance at January 1, 2022	145,397,150	4,495,554	-640	116,916,558	154,000	12,729,984	279,692,606	29,578,324	-135,814	29,442,510	309,135,116
capital increase											
allocation of previous year's profit		471,760		12,258,224		-12,729,984		-135,814	135,814		
own shares held business combinations and perimeter changes				710,096			710,096	518,248		518,248	1,228,344
other changes				-810,804			-810,804	2,905		2,905	-807,899
dividends											
other comprehensive income profit for the year ended December 31, 2022				3,804,031			3,804,031	544,289		544,289	4,348,320
						7,286,250	7,286,250		-1,130,804	-1,130,804	6,155,446
balance at December 31, 2022	145,397,150	4,967,314	-640	132,878,109	154,000	7,286,250	290,682,183	30,507,949	-1,130,804	29,377,145	320,059,328

2.5 Consolidated Statement of Cash Flows

consolidated statement of cash flows (in euros)	note	2022	2021
cash generated from operations			
profit for the year		6,155,446	12,594,170
cash from operating activities			
(interest income)/interest expense for the year	42	13,439,900	9,932,605
income tax for the year	43	-710,383	801,185
adjustments to reconcile net profit to the cash and cash equivalents generated by (used in) operations			
amortization, depreciation and impairment losses	40	55,028,859	50,528,397
financial costs (income) from discounting	42	598,859	782,053
impairment losses on receivables	39	5,968,158	913,775
impairment losses on inventories	13		154,515
fair value change of derivative financial instruments			
share of results of equity-accounted investees	41	7,428	-839,226
(gains)/losses			
on disposals of property, plant and equipment and investment property		611,007	354,761
on disposals of equity investments	42		-88,001
allocation (use) of			
retirement benefit obligations		-1,776,136	-1,990,786
provisions for risks and charges		3,165,639	4,533,738
other adjustments for non-monetary items		-705,186	-1,203,268
operating cash flows before movements in working capital		81,783,591	76,473,918
movements in working capital			
inventories		-1,976,468	-2,355,952
contract work in progress		342,730	-1,023,330
trade receivables		-29,891,040	-14,419,358
other current receivables		-10,027,946	8,833,051
trade payables		25,815,855	16,274,856
other current payables		5,207,814	-2,809,549
total movements in current assets and liabilities		-10,529,055	4,499,718
other adjustments			
(interest paid)		-12,327,056	-15,048,025
interest received		1,224,940	2,146,976
(income tax paid)		-1,499,479	-1,594,664
dividends received			
movements in other non-current payables		-1,345,108	-1,200,784
net cash generated by (used in) operating activities		57,307,833	65,277,139

consolidated statement of cash flows (in euros)	Note	2022	2021
cash from investing activities			
proceeds on disposal of intangible assets	6	42,468	
proceeds on disposal of property, plant and equipment and service concession arrangements	6, 8	1,343,344	3,439,583
net assets/liabilities held for sale	5	182,203	-58,000
dividends from associates and joint ventures			
investments in business combinations net of cash acquired		-3,094,962	-3,446,905
purchases of intangible assets	6	-5,412,267	-5,887,992
investments in service concession arrangements	6	-38,285,505	-29,744,749
purchases of property, plant and equipment and investment property	8, 9	-30,425,854	-30,162,795
acquisition of investments in associates and joint ventures		-23,700	-20,000
equipment grants received		14,559,296	12,491,421
sale of investments in associates and joint ventures		1,131,524	32,800
disposals of/(investments in) other equity investments		-333,716	
disposals of/(investments in) other financial assets and receivables due from associates		1,368,923	-189,139
net cash generated by/(used in) investing activities		-58,948,246	-53,545,776
cash from financing activities			
own resources			
sale (acquisition) of own shares			
other changes in equity			
dividends paid			
external resources			
loans taken out			
long-term		40,000,000	78,000,000
long-term from other lenders		5,028,277	
Proceeds from/(payments of) derivative instruments			
bonds issue			25,000,000
increase/(decrease) in payables due to associates		-173,400	-315,306
increase/(decrease) in short-term bank borrowings		-1,397,859	-3,043,019
acquisition of non-controlling interests			
(repayment) of loans			
long-term		-46,832,858	-50,733,171
long-term from other lenders		-6,438,390	-1,477,935
increase/(decrease) in financial payables due to shareholders		-1,237,962	-1,174,440
(redemption) of bonds		-750,000	-100,750,000
sale of non-controlling interests			
net cash generated by/(used in) financing activities		-11,802,192	-54,493,871
net increase (decrease) in cash and cash equivalents		-13,442,605	-42,762,508
cash and cash equivalents at beginning of year		161,871,698	204,634,206
cash and cash equivalents at end of year	20	148,429,093	161,871,698

2.6 Notes to the consolidated financial statements

ACCOUNTING STANDARDS AND NOTES

I. Company information

Group data

Name of reporting entity	Veritas SpA
Registered office	Venice
Legal form	Joint-stock company
Country of registration	Italy
Address of registered office	Santa Croce 489, Venice
Main place of business	City of Venice and Province of Treviso
Nature of the business and principal operations	The principal operations of the Veritas Group are: <ul style="list-style-type: none">– integrated waste management service;– integrated water service;– other services (various local public services for the Municipality of Venice, heat and public lighting service, environmental remediation, management of two crematoriums, management of hazardous and non-hazardous waste, environmental remediation).
Name of parent company	Veritas SpA

Veritas SpA, the parent company of the Veritas Group, is a joint-stock company incorporated and domiciled in Italy.

The principal operations of the Veritas Group are:

- the integrated waste management service carried out in the 45 shareholder municipalities of the Veritas Group. The service includes street sweeping, waste collection, and waste disposal through treatment plants for organic waste, dry waste, and recyclable materials. The population served is more than 920,000, plus some 35 million tourists who visit Venice, the surrounding areas, and the Jesolo, Eraclea, and Chioggia coastlines each year (except during the Covid emergency), for a total of more than 1 million population equivalent;
- the integrated water service (collection, lifting, treatment and distribution of water for domestic and industrial use, collection and purification of domestic industrial wastewater) carried out in the 36 shareholder municipalities of the parent company, as the sole operator for the entire Venice Lagoon basin. The Group provides the integrated water service and purifies wastewater in the territory of its shareholder municipalities, with a resident population of around 790,000.

In 2022 the Group invoiced approximately 71 million cubic metres of water.

The aqueduct network is 5,800 km long. In addition, a 2,800 km sewage network is used for the purification cycle, conveying approximately 81 million cubic metres of wastewater to 11 large and 25 small-to-medium purification plants. In addition, through its engineering department, the company is committed to investing in the water and sewage network and purification plants, in terms of necessary upgrades and new pipelines;

Veritas also manages the 15 km of the Porto Marghera industrial aqueduct, where some 4.8 million cubic meters of water are supplied;

- various local public services for the Municipality of Venice, such as cemetery services, management of the fish market, public toilets, and since 2021 also public works. Veritas also lays

the footbridges that allow access to the historic center of Venice during high water; since late 2018, it has helped coordinate the activities of the single metropolitan call center following the implementation of the new Citizen Relationship Management (Czrm) system developed by the City of Venice and its subsidiaries;

- the management for additional municipalities of cemetery services, as well as heat and public lighting;
- environmental remediation (characterization plans, safety measures, monitoring plans) on behalf of both shareholder municipalities and other public entities;
- the operation of crematoriums in Marghera, Spinea, and Conegliano;
- the management of hazardous and non-hazardous waste, environmental remediation with advanced technology mobile plants through the subsidiary Depuracque servizi Srl;
- the development of the Rtn waste treatment plant in Fusina by the subsidiary Rive Srl.

The consolidated financial statements of the Veritas Group were approved by resolution of the Board of Directors on May 25, 2023.

2.1 Basis of preparation

The consolidated financial statements for the year ended December 31, 2022 were prepared by the parent company Veritas SpA in accordance with the International Financial Reporting Standards (IFRS), adopted by the European Commission following the procedure set out in Article 6 of Regulation 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, in force at the date of preparation of this document. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The consolidated financial statements provide comparative figures for the previous year and are made up of:

- a statement of financial position broken down into current and non-current assets and liabilities based on whether they will be realized or settled as part of the Group's normal operating cycle within twelve months of the end of the year;
- a statement of comprehensive income that classifies costs and revenue based on their nature, a method considered more representative of the Group's business segment;
- a statement of cash flows prepared using the indirect method;
- a statement of changes in equity;
- notes containing the information required by applicable regulations and international accounting standards, appropriately presented with respect to the format of the financial statements.

The consolidated financial statements are expressed in euros, the Group's functional currency pursuant to Article 5, paragraph 2 of Legislative Decree 38 of February 28, 2005 and in accordance with IAS 1. All amounts are rounded to the nearest thousand euros unless otherwise specified.

The consolidated financial statements have been audited, as required by Article 14 of Legislative Decree 39 of January 27, 2010, by Deloitte & Touche SpA.

The general principle adopted in the preparation of these consolidated financial statements is the cost principle, except for financial assets and liabilities measured at fair value.

The financial statements have been prepared on a going concern basis. In particular, the Group conducted simulations of the potential future impacts of the Russia-Ukraine war on the Group's economic and financial business plans, which confirmed the going-concern assumption.

The ongoing conflict between Russia and Ukraine has not had a direct impact on the Group's market, but has contributed to today's macroeconomic scenarios of instability and hypothetical recession, due primarily to the rise in raw material and energy prices that have affected the cost of investment and the operating profit for the year; the persistent climate of international uncertainty means the economic outlook remains unstable.

Accounting standards, amendments and interpretations effective from January 1, 2022

The accounting standards used to prepare the consolidated financial statements at December 31, 2022 are the same as those used for the prior-year figures presented for the sake of comparison.

In 2022, the following amendments to the standards became effective for annual reporting periods beginning on or after January 1, 2022. The Group has not early adopted any other standards, interpretations or amendments published but not yet in force. The nature and impact of each change are described below:

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*: An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that in determining whether a contract is onerous, an entity must consider the costs relating directly to the contract for the supply of goods or services that include both the incremental costs (e.g. direct labor and materials) and an allocation of other costs that relate directly to contract activities (e.g. depreciation of equipment used in fulfilling the contract or costs for managing and supervising the contract).

General and administrative expenses are not directly related to a contract and are excluded, unless they are explicitly chargeable to the other party based on the contract.

This amendment has had no impact on the Group's consolidated financial statements.

- *Reference to the Conceptual Framework – Amendments to IFRS 3*: the amendments are intended to replace references to the *Framework for the Preparation and Presentation of Financial Statements* with references to the *Conceptual Framework for Financial Reporting* published in March 2018, without significantly changing the standard's requirements.

The amendments added an exception to IFRS 3 valuation policies to avoid the risk of "day 2" losses or gains from liabilities and contingent liabilities that would fall within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if contracted separately. The exception requires the entity to apply IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether at the acquisition date a present obligation exists.

The amendments also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments update IFRS 3 so it refers to the revised version of the Conceptual Framework, with no material changes to the accounting standard.

They have had no impact on the separate financial statements as no contingent assets, liabilities, or contingent liabilities have been recognized within the scope of these changes.

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*: these amendments prohibit the deduction from the cost of an item of property, plant and equipment any proceeds from the sale of items produced during the asset's testing phase. Such proceeds and the related costs will instead be recognized in profit or loss.

In accordance with the transition rules, the Group applies the change retrospectively only for the items of property, plant and equipment made available for use on or after the beginning of the comparison period presented in the financial statements in which the amendments are first applied.

These changes have had no impact on the Group's financial statements because no sales relating to items of property, plant and equipment were made before they came into service before or after the start of the comparison period.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*: these amendments allow a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amount reported by the parent, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. The change also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

The amendments have not affected the consolidated financial statements as the Group is not a first-time adopter.

- *IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities*: the amendment clarifies the fees an entity includes when assessing whether the terms of a

new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf. A similar amendment has not been proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

Under the transition rules, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the date of first application. The change has had no impact on the consolidated financial statements as there have been no modifications to the Group's financial liabilities.

International accounting standards and interpretations not yet effective and not early adopted by the Group

The following standards and interpretations had been published as of the date of the financial statements but had not come into force. The Group intends to adopt them, if applicable, when they become effective.

- *IFRS 17 Insurance Contracts*: in May 2017 the IASB published *IFRS 17 Insurance Contracts*, a new comprehensive standard on insurance contracts that covers the recognition and measurement, presentation and disclosure.

When it comes into force, it will replace *IFRS 4 Insurance Contracts*, published in 2005. *IFRS 17* applies all types of insurance policies (e.g. life, non-life, direct insurance, reinsurance) regardless of the type of entity issuing them, and also to certain guarantees and financial instruments with discretionary participation features.

The new standard aims to make sure an entity gives pertinent information that accurately represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses of existing practices, by providing a single, principle-based framework to account for all insurance contracts, including reinsurance contracts.

The new standard also includes presentation and disclosure requirements to improve comparability among the entities belonging to this sector.

IFRS 17 measures an insurance contract on the basis of a general model or a simplified version known as the Premium Allocation Approach (PAA).

Under the general model, estimates and assumptions of future cash flows are always current; measurement reflects the time value of money; estimates entail an extensive use of observable market information; there is a current, explicit measurement of risk; expected profit is deferred and aggregated into groups of insurance contracts on initial recognition; and expected profit is recognized during the period of insurance coverage taking into account the adjustments deriving from changes in the cash flow assumptions for each group of contracts.

The PAA approach entails measuring the liability for the remaining coverage of a group of insurance contracts on the condition that, on initial recognition, the entity expects that this liability will be a reasonable approximation of the general model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the PAA method do not apply to the measurement of liabilities for incurred claims, which are measured under the general model. However, there is no need to discount those cash flows if the balance is expected to be paid or received in one year or less from the date the claims are incurred.

The Group must apply the new standard to insurance and reinsurance policies issued, to reinsurance policies held, and to investment contracts with a discretionary participation feature (DPF).

IFRS 17 is effective from January 1, 2023 but early adoption is permitted for entities that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The directors do not expect it to have a material impact on the consolidated financial statements.

- *Amendments IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*: published by the IASB in December 2021, this is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The changes are effective from January 1, 2023, together with the application of IFRS 17. The directors do not expect the amendments to have a material impact on the financial statements.
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*: in January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: what is meant by the right to defer settlement; that the right to defer settlement must exist at the close of the year; that classification is unaffected by the likelihood that the entity will exercise its right to defer settlement; that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on its classification.

The amendments will be effective for financial years beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the changes will have on the current situation and whether it will be necessary to renegotiate existing loan agreements.

- *Definition of Accounting Estimates - Amendments to IAS 8*: in February 2021 the IASB published amendments to IAS 8, introducing a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correcting errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for financial years beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed. No material impacts are envisaged.

- *Accounting Standards Disclosures - Amendments to IAS 1 and IFRS Practice Statement 2*: in February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to assist entities in applying materiality judgements to accounting standards disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, guidance is added for applying the concept of materiality in making accounting policy disclosure decisions.

The amendments to IAS 1 apply from financial years beginning on or after January 1, 2023. Earlier application is permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance on applying the definition of material to the disclosure of accounting policies, there is no need for an effective date for these amendments. The Group is currently assessing the impact the changes will have on the disclosure of accounting standards.

- *Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12*: in May 2021 the IASB published amendments to IAS 12, restricting the scope of the initial recognition exemption which no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. Additionally, at the start of the comparative period presented,

deferred tax assets (where sufficient taxable income exists) and deferred tax liabilities must be recognized for all deductible and taxable temporary differences associated with leases and restoration provisions.

The Group is currently assessing the impact of these changes.

International accounting standards and interpretations not yet endorsed by the European Union

As of the reporting date, the EU authorities had not yet finished the endorsement process necessary for the adoption of the following amendments and standards.

- On January 23, 2020 the IASB published *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* and on October 31, 2022 it published *Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants*. These amendments clarify how to classify payables and other liabilities as current or non-current. They come into force on January 1, 2024; early adoption is permitted. The directors are currently assessing the potential effects of these amendments on the consolidated financial statements.
- On May 7, 2021 the IASB published *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The amendments clarify the accounting of deferred tax on certain transactions that can generate assets and liabilities of the same amount, such as leases and decommissioning obligations. They are effective from January 1, 2023 but early adoption is permitted. The directors are currently assessing the potential effects of these amendments on the consolidated financial statements.
- On September 9, 2021 the IASB published *Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*. This is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The changes are effective from January 1, 2023, together with the application of IFRS 17. The directors do not expect the amendments to have a significant impact on the consolidated financial statements.

- On September 22, 2022 the IASB published *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback*. The amendments require the seller-lessee to determine the lease liability arising from a sale & leaseback transaction in a way that does not recognize a gain or loss relating to the retained right of use. They are effective from January 1, 2024 but early adoption is permitted. The directors do not expect the changes to have a significant impact on the financial statements.
- On January 30, 2014 the IASB published *IFRS 14 Regulatory Deferral Accounts* allowing first-time adopters of IFRS to continue to recognize the balances of rate-regulated activities in accordance with their previous GAAP. This standard is not applicable to the Group because it is not a first-time adopter.

Statement of compliance with IFRS

The consolidated financial statements of Veritas SpA were prepared in accordance with the International Financial Reporting Standards (IFRS).

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Veritas SpA and its subsidiaries as at December 31 of each year.

Control is achieved when the Group is exposed to or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. has valid rights giving it the current ability to direct the relevant activities of the investee);
- the exposure or rights to variable returns arising from its involvement with the investee;
- the ability to use its power over the investee to affect its returns

It is generally assumed that a majority of voting rights conveys control. To support this assumption, and when the Group has less than a majority of the voting (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 other contractual arrangements;
- the Group's voting rights and potential voting rights.

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

Since 2017, the parent company has prepared separate financial statements in conformity with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), pursuant to Legislative Decree 38/2005 concerning public interest entities (Legislative Decree 39/2010, Art. 16, par. 1, letter a). The transition date to IAS/IFRS was January 1, 2016. Since the Group had opted to prepare its consolidated financial statements in accordance with IAS/IFRS at December 31, 2007, Veritas recognized the assets and liabilities in the opening statement of financial position of the separate IFRS financial statements and in the subsequent separate financial statements at the same carrying amounts as in the accounts prepared for the Group's consolidated financial statements (IFRS 1 Revised, paragraph D17).

Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which the Group obtains control, and cease to be consolidated when the control is transferred outside the Group.

The financial statements of the subsidiaries prepared in accordance with Italian GAAP (OIC) are restated for each reporting date in conformity with IAS/IFRS. When necessary, appropriate adjustments are made to the financial statements of subsidiaries to ensure compliance with the Group's accounting policies.

All intraGroup balances and transactions, including any unrealized gains and losses arising from transactions between Group companies, are eliminated in full.

Non-controlling interests represent the portion of profits or losses and net assets not owned by the Group. They are shown separately in the statement of profit or loss and in the statement of financial position under the items of equity, separately from the equity attributable to the Group.

Losses are attributed to non-controlling shareholders even if this implies that non-controlling interests have a negative balance.

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In acquisitions of non-controlling interests, the difference between the price paid and the carrying amount of the portion of net assets acquired is recognized directly in equity.

If the parent company loses control of a subsidiary, it:

- eliminates the assets (including any goodwill) and liabilities of the subsidiary;
- eliminates the carrying amounts of any non-controlling interest in the former subsidiary;
- eliminates the accumulated foreign exchange differences recognized in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any retained interest in the former subsidiary;
- recognizes any gain or loss in the Statement of Profit and Loss ;
- reclassifies the parent company's share of items previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.2 Discretionary assessments and significant accounting estimates

Preparing the Group's financial statements requires the directors to make discretionary assessments, estimates and assumptions that can affect the amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The uncertainty involved in those assumptions and estimates could lead to results that will require a significant adjustment to the carrying amount of such assets and/or liabilities in the future.

Discretionary assessments

In applying the Group's accounting policies, the directors have made decisions based on the following discretionary assessments (excluding those involving estimates) with a significant effect on the values stated in the financial statements.

Duration of assignments

The Report on Operations, section 2.1.1. on business events and developments, describes the duration of assignments.

Estimates and assumptions

The key assumptions about the future and other important sources of measurement uncertainty at the reporting date, which could lead to making significant adjustments to the carrying amounts of assets and liabilities within the next year, are presented below.

The Group based its estimates and assumptions on parameters that were available at the time the consolidated financial statements were prepared. However, the current circumstances and assumptions about future events could be modified due to changes in the market or events beyond the Group's control. If such changes occur, they are reflected in the assumptions when they occur.

The Group conducted simulations of the potential future impact of the war between Russia and Ukraine on the Group's business plans, and the results confirmed the Group's going concern status.

Impairment of non-financial assets

The Group tests all non-financial assets for impairment at each reporting date. Goodwill is tested annually. The other non-financial assets are tested annually when there are indications that the carrying amount may not be recovered.

When value in use is calculated, the directors estimate the cash flows expected from the cash-generating unit asset or units and choose an appropriate discount rate to calculate the present value of those cash flows.

The Group verified whether the effects of the war between Russia and Ukraine could lead to an impairment loss.

Note 7 contains more details and a sensitivity analysis of the key assumptions.

Revenue recognition

Revenues from contracts with customers are recognized to present faithfully the transfer of the goods and services promised (completion of the performance obligation) in an amount that reflects the expected consideration in exchange for the goods and services provided. For accounting purposes, the Group applies the five-step model described in IFRS 15.

Revenue recognition assumes using estimates based on the best available information, which may be subject to change due to new information that was unavailable at the time of the estimate.

For the integrated water service, the Parent company calculates revenues from invoices to be issued at the December 31 rate of each year, estimating the water consumption by verifying, specifically for each user, the past consumption.

Provision for expected losses on trade receivables and contract assets

The Group recognized a provision for expected credit losses ("ECL") for all financial assets, as required by IFRS 9. The Group uses a matrix to calculate the ECL for trade receivables. The provision rates are based on the days past due for each customer category grouped into the various brackets with similar historic loss trends.

The matrix is initially based on the Group's observed past default rates. The Group then calibrates the matrix to refine the historical data on credit losses with forward-looking data. The historical default rates are updated at each reporting date, and the changes in estimates are analyzed using forecast data.

The assessment of the correlation between past default rates, the forecast economic conditions and the ECL is a meaningful estimate. The ECL amount is sensitive to changes in circumstances and expected economic conditions. The Group's past credit loss experience and the forecast of future economic conditions might not be representative of the actual customer insolvency in the future.

Taking into consideration the effects on default of the current inflation at a macroeconomic level and the possibility of a recession stemming from the Russo-Ukrainian war, the Group updated the provision rates by taking into account the historical loss trends and possible increases in insolvencies based on specific medium-term economic indicators. Note 15 provides additional details.

Provisions for post-closure restoration of landfill areas

The Group recognized provisions for the costs associated with the restoration of landfill areas, which will be incurred when the post-closure care of the landfill use ends. In determining the amount of the provisions, estimates and assumptions had to be made concerning the discount rates, expected costs for the restoration and rehabilitation of the sites and the acceptable volumes. Further details are provided in Note 24.

2.3 Scope of consolidation

The consolidated financial statements incorporate the financial statements of the parent company, Veritas SpA, and of the companies over which the parent company has the right to directly or indirectly (through its subsidiaries) exercise control, directing their financial and business decisions and obtaining the related benefits.

Listed below are the companies that, pursuant to IFRS 10, were consolidated on a line-by-line basis at December 31, 2022:

consolidated companies	registered office	share capital	Dec. 31, 2022	Dec. 31, 2021
			Group's share	
Veritas SpA (parent company)	Venice	145,397,150		
Eco+Eco Srl	Venice	65,361,166	61.29%	56.68%
Asvo SpA	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio Bonifica Fusina <i>in liquidation</i>	Venice	100,000	82.05%	82.05%
Metalrecycling Venice Srl	Venice	1,800,000	61.29%	82.34%
Depuracque Servizi Srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher Ricerche e Aanalisi Srl	Salzano (Ve)	46,800	100.00%	100.00%
Rive Srl	Venice	100,000	70.00%	70.00%
Ecodistretto Trasporti Scarl	Venice	20,000	49.03%	0.00%
Veritas Conegliano Srl	Venice	100,000	72.50%	48.80%
<i>Absorbed by Eco+Eco Srl (formerly Ecoprogetto)</i>				
Eco-ricicli Veritas Srl	Venice	7,000,000	0.00%	82.34%
<i>deconsolidated at December 31, 2022</i>				
Mia Energia Srl (formerly Nuova Energia Srl)	Venice	110,000	30.03%	100.00%

Note 3 to the Group's consolidated financial statements contains further details on its corporate transactions.

The following associates are measured using the equity method:

companies accounted for using the equity method	registered office	share capital	Dec. 31, 2022	Dec. 31, 2021
			Group's share	
associates				
Sifa Scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecolegno CM Venezia Srl	Venice	50,000	24.52%	32.94%
OMD Srl	Nervesa della Battaglia (TV)	160,000	15.32%	20.59%
Mia Energia Srl (former Nuova Energia Srl)	Venice	110,000	30.03%	100.00%
Vier scarl	Venice	100,000	49.00%	49.00%
<i>reclassified companies</i>				
Veritas Conegliano Srl	Venice	100,000	72.50%	48.80%

2.4 Accounting policies

The financial statement items were measured in accordance with the general criteria of prudence, the accrual basis of accounting, and the going concern assumption. For accounting purposes, preference is given to the economic substance of transactions rather than their legal form.

In preparing the consolidated financial statements, the same principles and criteria applied in preparing the comparative data were followed, including the new accounting standards mentioned previously.

The income and expenses include end-of-period items reflected in the corresponding items of the statement of financial position. In this respect, gains are included only if they are realized by the end of the year, while risks and losses are considered even if they are known afterward.

The criteria and principles adopted are set out below.

Intangible assets

The intangible assets recognized are identifiable and controllable assets whose cost can be measured reliably on the assumption that they will generate future economic benefits.

Intangible assets acquired separately are initially capitalized at cost, while those acquired through business combinations are recorded at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, except for development costs, are not capitalized and are recognized in profit or loss in the year they are incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with finite lives are amortized over their useful lives and tested for impairment whenever there are indications of such losses. The amortization period and method applied to them are reviewed at the end of each reporting period or more frequently if necessary. Changes in the expected useful life or in the manner that the Group obtains the future economic benefits associated with the intangible asset are recognized by adjusting the amortization period or method as appropriate and are treated as changes in accounting estimates.

Amortization commences when the asset is ready for use or, in any case, begins to produce economic benefits for the enterprise.

The amortization of intangible assets with finite lives is recognized in the statement of profit or loss in the cost category consistent with the function of the intangible asset.

Intangible assets with an indefinite useful life are tested annually for impairment individually or by cash-generating unit. No amortization is recognized for such assets. The useful life of an intangible asset with an indefinite life is reviewed annually to ascertain whether the conditions underlying this classification continue to apply. If they don't, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use. Gains or losses from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset, and are recognized in profit or loss at the time of disposal.

The principles applied by the Group for intangible assets are summarized below:

intangible assets	public service concessions	software licenses
useful life	finite	finite
amortization method used	amortized on a straight-line basis over the duration of the relevant concession	amortized on a straight-line basis over a period of three or five years
internally produced or acquired	acquired	acquired

Service concession arrangements

IFRIC 12 applies to public-to-private service concession arrangements if the following conditions are met:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;
- the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement.

If the above conditions are met, the operator shall not recognize the infrastructure as property, plant and equipment of the operator because the contractual service arrangement transfers the right to use the infrastructure but not after the end of the term of the arrangement. The infrastructure must, therefore, be recognized as a financial asset or intangible asset depending on whether the operator has an unconditional right to receive contractually guaranteed cash flows, regardless of the actual usage of the infrastructure. In essence, the financial asset model should be applied solely in cases where the operator is not exposed to demand risk, and thus whenever the cash flows provided for in the concession agreement are such as to enable recovery of the receivable/investment regardless of the actual usage of the infrastructure by customers.

After analyzing the concession arrangements in place with the grantors, the Group decided to apply the interpretation to all the integrated water cycle activities managed by it and to account for them as intangible assets because it has the right to charge the users of the public service (pricing).

The amount of the service concession arrangements is adjusted by the amount of government grants received.

The economic-technical amortization rates applied, which represent the expectation of obtaining future economic benefits from the infrastructure, as per the regulatory framework, remain the same as those already used by the Group.

Property, plant and equipment

Property, plant and equipment are recognized at their historical cost, including all costs necessary to bring the asset to working condition for its intended use, plus the present value of the estimated cost of dismantling and removing the asset when relevant and present obligations exist. The cost of plant and machinery includes costs for replacing such assets when they are incurred and if they comply with the recognition criteria. If significant components of such assets have different useful lives, the components are accounted for separately.

Likewise, the cost of any major overhauls is included in the carrying amount of the plant or machinery as a replacement if the recognition criteria are satisfied. Other maintenance and repair costs are recognized in profit or loss when they are incurred.

Financial costs incurred in connection with investments in assets that necessarily take a substantial period of time to get ready for their intended use or sale (qualifying assets under IAS 23 - *Borrowing Costs*) are capitalized on the cost of the asset and amortized over the useful life of the category of assets to which they refer. All other financial costs are recognized in profit or loss when they are incurred.

Financial costs consist of interest and other costs that the entity incurs in connection with obtaining financing.

Land, whether free of construction or occupied by buildings, is normally not depreciated since it has an indefinite useful life.

Land on which a landfill is located is depreciated over the useful life of the landfill.

Property, plant and equipment are stated net of the accumulated depreciation and impairment losses, as described below.

Depreciation is calculated on a straight-line basis considering the estimated useful life of the asset for the entity and is reviewed annually, as are the residual values and the depreciation method; and any changes needed are made on a prospective basis.

The depreciation rates began to be revised at the Group in 2007, based on a specific appraisal drawn up by an independent expert, which revised the rates according to the estimated remaining useful lives of the assets.

The main depreciation rates used by the Group in 2022 are listed hereunder:

property, plant and equipment	category	depreciation rates
land	land and buildings	indefinite life
industrial and civil buildings	land and buildings/leased assets	2.5% – 3% – 4%; 5.88% to 9.52%; 32.33%.
lightweight structures	land and buildings	4% – 6.5% – 10%
fixed hydraulic works	land and buildings	2.5%
tanks	plant and machinery	3% – 4%
water and sewage pipes (including flood drains and first flush diverters)	plant and machinery	2.5%
water and sewage lifting equipment	plant and machinery	3% – 5% – 6%
drinking water systems	plant and machinery	3% – 4% – 5%
water and sewage connections	plant and machinery	2.5% – 4%
septic systems	plant and machinery	3% – 5% – 7% – 15%
photovoltaic systems	plant and machinery	4% – 5% – 7%
machinery	plant and machinery	6.5% – 9% – 10% – 15%
waste disposal facilities (excluding landfills)	plant and machinery	3% – 5% – 6% – 7.5% – 8.5% – 15%
waste disposal facilities - landfill	plant and machinery	according to % of the landfill capacity used
waste pre-treatment plants	plant and machinery	shorter of useful life and concession or contract duration
Css1 line, Css2 line and incineration plant	plant and machinery	according to useful life (remaining useful life until 2029)
other environmental hygiene facilities	plant and machinery	7%
electrical, electronic and heating systems	plant and machinery	7% – 10%; from 6.67% to 33.3%.
fixed hydraulic works	plant and machinery	2.5%
remote control systems	plant and machinery	7%
equipment and laboratories	commercial and industrial equipment	7.5% – 10% – 15%
containers and light containers	commercial and industrial equipment	6.25% – 9% – 12.5% – 15%
utility meters	commercial and industrial equipment	7%
metal vessels	other assets	3% – 5.5% – 10%
vessel equipment	other assets	7% – 9%
cars	other assets	15% – 16.5% – 20% – 25%
industrial vehicles	other assets/leased assets	8% – 10% – 16.5% – 20%
machining and internal handling equipment	other assets	6.5% – 7% – 8% – 9% – 20%
motorcycles	other assets	10% – 25%
furniture and furnishings	other assets	7% – 8.5% – 12% – 15%
computer products and office machines	other assets	16.5% – 20%
communication devices	other assets	9%
mobile phones	other assets	20%
leasehold improvements	leasehold improvements	shorter of useful life and lease duration

The depreciation of assets purchased during the year commences when the asset is ready for use. The full depreciation rate was applied to capitalized improvements on existing facilities.

A tangible asset is derecognized when it is sold or when there is no future economic benefit expected from its use or disposal. Any gains or losses (calculated as the difference between the net proceeds from the disposal and the carrying amount) are included in profit or loss in the year of derecognition.

Leases

When stipulating a contract, the Group assesses whether it is, or contains, a lease. A lease is contract that conveys the right to control an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognizes liabilities for the lease payments and right-of-use assets representing the right to use the underlying asset of the lease.

- **Right-of-use assets:** The Group recognizes right-of-use assets on the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, and are adjusted for any remeasurement of the lease liabilities. The cost of right-of-use assets comprises the amount of the lease liabilities recognized, the initial direct costs incurred and the lease payments made on or before the commencement date net of any incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the related asset or to the end of the lease, whichever is earlier, at the previously used depreciation rates.

If the title to the asset transfers at the end of the lease or if the cost of the asset reflects the exercise of the purchase option by the lessee, the lessee depreciates the asset from the commencement date to the end of the underlying asset's useful life.

- **Lease liabilities:** at the lease commencement date, the Group recognizes lease liabilities at the present value of the payments due but not paid yet at that date. The payments due include fixed lease payments (including in-substance fixed lease payments) net of any lease incentives to be received, variable payments depending on an index or rate, and amounts expected to be paid as the guaranteed residual value. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as costs in the period in which the event or condition generating the payment occurs.

To calculate the current payments due, the Group uses the incremental borrowing rate at the commencement date, if the implicit interest rate cannot be easily determined. After the commencement date, the lease liability increases to reflect the interest on the lease liability and decreases to reflect the payments made. In addition, the carrying amount of lease liabilities is restated in the event of any change or revision to the contractual terms for the change in payments; it is also restated to reflect changes in the measurement of the option to purchase the underlying asset or changes in future payments resulting from a change in the index or rate used to determine those payments.

The Group's lease liabilities are included with the "financial liabilities from other lenders" (see Note 23) and "payables to shareholders" (see Note 26).

- **Short-term leases and leases of low-value assets:** The Group applies the exemption for recognizing short-term leases of property, plant and equipment (i.e. leases that expire within 12 months from the first application or that have a duration of 12 months or less from the commencement date and do not contain a purchase option). The Group also applied the exemption for leases where the underlying asset has a low value, specifically leases for office equipment and electronic devices whose value is low. The payments on short-term leases and low-value leases are recognized as expenses on a straight-line basis over the term of the lease.

The Group as lessor

Leases that transfer to the Group substantially all the risks and rewards of ownership of an asset are classified as operating leases. Income from operating leases is recognized over the term of the lease and is included as revenue in the statement of profit or loss due to its operational nature. The initial transaction costs are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Unanticipated rent is recognized as revenue in the period it accrues.

Investment property

The real estate investments are investment property (land or buildings or parts of buildings) that is held (by the owner or by the lessee as a right-of-use asset) to earn rental income and/or for capital appreciation.

Investment property is recognized initially at its acquisition cost, including transaction costs. The carrying amount includes the cost of replacing part of investment property when that cost is incurred, provided the recognition criteria are met, and excludes routine maintenance costs. Subsequent to initial recognition, investment property, except for land, is systematically depreciated each year on a straight-line basis at rates deemed representative of its remaining useful life.

Investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss in the year in which the retirement or disposal occurs.

Reclassification from or to investment property occurs when, and only when, there is a change in use. If directly used property becomes investment property, the Group recognizes the asset in accordance with the policies stated for property, plant and equipment until the time of change in use.

No asset held under an operating lease was classified as investment property.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is calculated as the sum of the consideration transferred measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets. Acquisition costs are expensed and classified as administrative expenses.

The Group determines that it has acquired a business activity when the integrated set of assets and goods includes at least one production factor and one substantial process which, together, significantly contribute to the ability to generate an output. The acquired process is considered substantial if it is crucial for the ability to continue to generate an output and the acquired production factors include an organized workforce that has the necessary skills, knowledge or experience to carry out that process or to significantly contribute to generating an output and is considered unique or scarce or cannot be replaced at no cost, without significant efforts or delays for the ability to generate an output.

When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed based on contractual terms, economic conditions and other relevant conditions at the acquisition date. This includes verifying whether an embedded derivative should be separated from the host contract.

If the business combination is achieved in stages, the acquirer must recalculate the fair value of the equity interest previously held and measured using the equity method and recognize any resulting gain or loss in profit or loss.

The acquirer must recognize contingent consideration at fair value at the acquisition date. The contingent consideration classified as equity is not remeasured and its subsequent payment is reflected in equity. The fair value change of contingent consideration classified as an asset or liability, such as a financial instrument within the scope of IFRS 9 - Financial Instruments, is recognized in profit or loss in accordance with IFRS 9. Contingent consideration that does not fall within the scope of IFRS 9 is measured at fair value at the reporting date, and changes in fair value are recognized in profit or loss.

Goodwill is initially measured at cost, which emerges as the excess of the sum of the consideration paid and the amount recognized for non-controlling interests over the identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group checks whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognized at the acquisition date. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized in profit or loss.

Subsequent to initial recognition, goodwill is measured at cost less the accumulated impairment losses. For the purpose of impairment testing, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units expected to benefit from the business combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the disposed operation must be included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with a discontinued operation must be measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Assets held for sale and discontinued operations

An asset held for sale is a component of the Group that has been decided to be discontinued or has been discontinued and represents a separate major line of business or geographical area of operations. An operation is classified as discontinued at the time of disposal; when an operation is classified as discontinued, the statement of profit or loss is restated as if the transaction had been discontinued at the beginning of the comparative period.

Investments in associates or joint ventures

The Group's investments in associates are accounted for using the equity method.

An associate is a company over which the Group exercises significant influence and that is not classifiable as a subsidiary or a joint venture. Significant influence means the power to participate in determining an investee's financial and operating policies without having control or joint control over it.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control; a joint venture involves the formation of a separate company in which each participant has an interest in the net assets.

Under the equity method, an investment in an associate or a joint venture is recognized in the statement of financial position at cost, increased by post-acquisition changes in the Group's share of the associate's or joint venture's net assets. Goodwill regarding the associate or joint venture is included in the carrying amount of the investee and is amortized. The statement of profit or loss reflects the Group's share of the associate's or joint venture's profit or loss for the year. The equity method is also used to measure associates and joint ventures that the parent company recognizes in its separate financial statements at the acquisition or subscription cost, adjusted for any impairment losses to the recoverable amount, in accordance with IAS 36 (Impairment of Assets).

Any changes in other comprehensive income relating to these investees are presented as part of the Group's comprehensive income. If an associate or investee recognizes adjustments charged directly to equity, the Group recognizes its share of the adjustments and reports them, where applicable, in the Statement of Changes in Equity. Gains and losses arising from transactions between the Group and the associate or joint venture are eliminated in proportion to the investment.

The reporting date of the associates is aligned with that of the Group; the joint venture prepares a report for consolidation purposes at the parent company's reporting date and applies uniform accounting principles. If uniform accounting principles are not used, they are adjusted to make them consistent with those of the Group for transactions and events of the same nature and similar circumstances.

After applying the equity method, the Group assesses whether it is necessary to recognize an impairment loss on its investment in associates or joint ventures. The Group assesses at each reporting date whether there is objective evidence that the investments in associates or joint ventures have suffered an impairment loss. In such case, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate or joint venture and corresponding carrying amount in its financial statements, and recognizes this difference in the statement of profit or loss as a "share of results of equity-accounted investees".

When significant influence over an associate or joint control over a joint venture is lost, the Group measures and recognizes the remaining investment at fair value. The difference between the carrying amount of the investment at the date of loss of significant influence or joint control and the fair value of the remaining investment and consideration received is recognized in profit or loss.

When the Group contributes or sells assets to the joint venture, the recognition of any portion of a gain or loss from the transaction reflects the substance of the transaction. When the Group purchases goods or services from the joint venture, it does not recognize its share of the profit from the transaction until it resells that good or service to an independent party.

Impairment losses on non-financial assets

At each reporting date, the Group assesses whether indicators of impairment exist for its assets. If they do, or in cases where an annual impairment test is required, the Group estimates the recoverable amount. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable amount is determined for each asset, except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets.

If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount accordingly. In determining value in use, the Group discounts the estimated future cash flows to present value using a pre-tax discount rate that reflects market assessments of the present value of money and the risks specific to the asset. An appropriate valuation model is used to determine fair value less selling costs. These calculations are made by assessing the value in use using the discounted cash flow (DCF) model.

Impairment losses on continuing operations are recognized in the statement of profit or loss in the cost categories consistent with the intended use of the impaired asset. Exceptions to this are assets previously revalued where the revaluation was recognized in equity. In such cases, the impairment loss is in turn recognized in equity to the extent of the previous revaluation.

At each reporting date, the Group assesses, for assets other than goodwill, whether there is any indication of the reversal (or reduction) of previously recognized impairment losses, and, if such indications exist, it estimates the recoverable amount. The value of a previously impaired asset may only be reinstated if there has been a change in the estimates on which the calculation of the recoverable amount determined after the recognition of the latest impairment loss was based.

The reversal may not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in prior periods. The reversal is recognized in profit or loss unless the asset is recorded at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are used to account for impairment losses related to specific types of assets.

Goodwill

Goodwill is tested for impairment at least once per year or more frequently if circumstances indicate that the carrying amount may be impaired.

The impairment loss on goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill belongs.

An impairment loss is recognized when the cash-generating unit's recoverable amount is less than the carrying amount to which goodwill has been allocated. Goodwill impairment cannot be reversed in future periods. The Group tests goodwill for impairment annually at December 31.

Associates and joint ventures

After applying the equity method, the Group determines whether or not it is necessary to recognize an additional loss on investments in associates. The Group determines at each reporting date whether there is objective evidence that an investment in an associate has suffered an impairment loss. If such evidence exists, the Group calculates the amount of the loss as the difference between the fair value of the associate and the acquisition cost of the investment, and accounts for the loss in profit or loss.

Equity investments and other financial assets

According to IFRS 9, upon initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income (FVTOCI), and at fair value through profit or loss (FVTPL), depending on the data.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model the Group uses to manage them. Excluding trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value, plus transaction costs in the case of a financial asset not at FVTPL. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15. The section on accounting policies - revenues provides further details.

For a financial asset to be classified and measured at amortized cost or at FVTOCI, it must generate cash flows that depend solely on payments of principal and interest (SPPI). This evaluation is referred to as the SPPI test and is performed at the instrument level. Financial assets whose cash flows do not meet the SPPI requirements are classified and measured at FVTPL.

The Group's business model for managing financial assets refers to how it manages those assets to generate cash flows. The business model determines whether cash flows will arise from collecting contractual cash flows, from the sale of financial assets or both.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Group enters into a commitment to purchase the asset. Regular way purchases and sales are defined as all purchases or sales of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

For the purpose of subsequent measurement, financial assets are classified into four categories:

- financial assets at amortized cost (debt instruments);
- financial assets at fair value through other comprehensive income (FVTOCI) with a reclassification of accumulated gains and losses (debt instruments);
- financial assets at FVTOCI without reversal of accumulated gains and losses on derecognition (equity instruments);
- financial assets at fair value through profit or loss (FVTPL).

The Group determines the classification of its financial assets after initial recognition and, where appropriate and permitted, revises this classification at the end of each year.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. When the asset is derecognized, modified, or revalued, the related gains and losses are recognized through profit or loss.

The financial assets at amortized cost include trade receivables, held-to-maturity assets and loans.

Financial assets at FVTOCI (debt instruments)

The Group measures financial assets at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instrument assets measured at FVTOCI, interest income, foreign exchange gains and losses and impairment losses and reversals are recognized through profit or loss and are calculated in the same manner as for financial assets measured at amortized cost. The remaining changes in fair value are recognized through OCI. Upon derecognition, the cumulative fair value change recognized through OCI is reclassified to profit or loss.

Investments in equity instruments

Upon initial recognition, the Group may irrevocably elect to classify its equity investments as equity instruments recognized at FVTOCI when they meet the definition of equity instruments under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined for each instrument.

Gains and losses realized on such financial assets are never reversed to profit or loss. Dividends are recognized in profit or loss when the right to receive payment is established, unless the Group benefits from such income as recovery of a part of the cost of the financial asset, in which case they are included in OCI. Equity instruments recorded at FVTOCI are not tested for impairment.

Financial assets at FVTPL

The financial instruments at fair value with value changes recognized in profit or loss are presented in the statement of financial position at fair value, and the net fair value changes are recognized in the statement of profit or loss.

This category includes derivative instruments and listed investees that the Group has not irrevocably elected to classify at FVTOCI. Dividends from listed investees are recognized as other income in the statement of profit or loss when the right to payment has been established.

An embedded derivative contained in a hybrid non-derivative contract, financial liability or host non-financial contract is separated from the host contract and accounted for as a separate derivative if: its economic characteristics and associated risks are not closely related to those of the host contract; a separate instrument with the same terms as the embedded derivative meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value, with the fair value changes recognized in profit or loss. They are restated only if a change in the contract significantly alters the otherwise expected cash flows or reclassifies a financial asset to a category other than FVTPL.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset are extinguished;
- the Group has transferred the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of it.

In cases where the Group has transferred rights to receive cash flows from an asset or has entered into an arrangement whereby it retains the contractual rights to receive the cash flows from the financial asset, but it assumes a contractual obligation to pay the cash flows to one or more recipients (pass-through), it evaluates if and to what extent it has retained the risks and rewards of ownership.

In cases where the Group has neither transferred nor retained substantially all risks and rewards or has not lost control over it, the asset is recognized in the Group's financial statements to the extent of its continuing involvement in the asset. In this case, the Group also recognizes an associated liability. The transferred asset and associated liability are measured to reflect the rights and obligations that remain with the Group. The residual involvement that takes the form of a guarantee on the transferred asset is valued at the lower of the initial carrying amount of the asset and the maximum value of the consideration that the Group may be required to pay.

When the entity's continuing involvement is a guarantee of the transferred asset, the involvement is measured at the lower of the amount of the asset and the maximum amount of consideration received that the entity could be required to repay.

Impairment of financial assets

The Group recognizes an impairment loss (expected credit loss or "ECL") for all financial assets represented by debt instruments not held at FVTPL. The ECL is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The estimated cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The expected losses are measured in two stages. Where credit risk has not increased significantly since initial recognition, ECL resulting from default events that are possible within the next 12 months are recognized (12-month ECL). Where credit risk has increased significantly since initial

recognition, ECL referring to the remaining life of the exposure are recognized, regardless of when the default event is expected to occur (lifetime ECL).

The Group applies a simplified approach to calculate the ECL for trade receivables and contract assets. Therefore, the Group does not monitor credit risk changes, but instead fully recognizes the ECL at each reporting date. The Group has established a matrix system based on track records, revised to consider forward-looking elements regarding specific types of debtors and their economic environment to determine the expected losses.

For assets represented by debt instruments measured at FVTOCI, the Group applies the simplified approach to assets with a low credit risk. At each reporting date, the Group assesses whether the debt instrument is considered to have low credit risk using all available information that can be obtained without undue cost or effort. When a significant increase in credit risk occurs, the Group fully recognizes the expected credit losses over the remaining term of the exposure.

A financial asset is derecognized when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories consist of materials for maintenance and repair work on technical fixed assets and consumables such as fuel and lubricants, clothing and miscellaneous materials used in cleaning and waste sweeping activities.

Inventories of raw, ancillary and consumable materials are valued at purchase cost, determined using the weighted average cost method per movement. Inventories of materials that are obsolete or no longer used are valued at the lower of cost as previously determined and the realizable value obtained on the basis of market prices.

Contract work in progress

Contracts for work in progress are measured in accordance with IFRS 15. Revenues over time are recognized if it can be demonstrated that: a) the customer simultaneously receives and consumes the benefit provided by the contract as it is performed; b) the service performed improves.

Contract work in progress are measured on the basis of the contractual payments, which are generally agreed upon as being equal to the costs incurred for each contract, accrued with reasonable certainty, according to the percentage of completion method, to allocate the revenue and profit of the contract to the individual years, in proportion to the stage of completion.

The percentage of completion is determined as the proportion of the contract costs incurred for work performed up to the reporting date to the total estimated contract costs. The positive or negative difference between the value of the contracts accrued at the end of the period and the invoiced work in progress is entered respectively under the assets or liabilities of the statement of financial position.

In addition to contractual fees, contract revenue includes any variants, price revisions and incentive payments to the extent that they are likely to represent actual revenue that can be determined reliably. Identified losses are recognized irrespective of the percentage of completion of the contract.

Trade and other receivables

The receivables included among the current and non-current assets represent the unconditional right to receive consideration. Trade receivables are recognized initially at the transaction price determined in accordance with IFRS 15, and subsequently the Group recognizes the expected credit losses.

The Group uses a simplified approach to calculate ECL for trade receivables and contract assets. Therefore, it does not monitor changes in credit risk, but fully recognizes the expected credit loss at each reporting date. The Group has established a matrix system based on track records, revised to consider forward-looking elements regarding specific types of debtors and their economic environment to determine the expected losses.

Further details are provided in the paragraphs on the accounting policies regarding revenues and financial assets.

Transfer of financial assets

The Group assigns some of its trade receivables through factoring transactions. The factoring transactions may be either with recourse or without recourse. If these types of transactions meet the conditions of IAS 39, they are derecognized when the risks and rewards associated with their collection have been transferred; otherwise, the receivables assigned through these transactions remain on the Group's statement of financial position, and a financial liability of the same amount is recognized as advances on receivables factoring.

Cash and cash equivalents

The short-term cash and cash equivalents include cash on hand, demand deposits and short-term deposits, the latter with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. In the Consolidated Statement of Cash Flows, the cash and cash equivalents are represented by the cash and cash equivalents as defined above.

Financial liabilities

Upon initial recognition, financial liabilities are classified as financial liabilities at FVTPL (among loans and borrowings) or as derivatives designated as hedging instruments.

All financial liabilities are initially recognized at fair value plus, in the case of mortgages, loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, mortgages and loans, overdrafts, and derivative financial instruments.

For the purpose of subsequent measurement, financial liabilities are classified into two categories.

Financial liabilities at amortized cost (loans and borrowings)

Loans are measured at amortized cost using the effective interest rate method.

Any gain or loss is recognized as profit or loss when the liability is extinguished and through the repayment process.

Amortized cost is calculated by recognizing the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. The amortization at the effective interest rate is included in the financial costs present in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include liabilities held for trading and financial liabilities initially recognized at fair value with the changes charged to profit or loss.

The liabilities held for trading are all those acquired for sale or settlement in the short term. Derivatives, including separated ones, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

When a provision of a long-term loan arrangement is breached on or before the end of the reporting period with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender agreed, after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date.

Financial liabilities are designated at FVTPL from the date of initial recognition, only if the conditions of IFRS 9 are met. At initial recognition, the Group did not designate financial liabilities at FVTPL.

Trade payables, which mature within normal business terms, are not discounted and are recorded at cost (identified by their nominal value), which represents the fair value at the reporting date.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is discharged, canceled or fulfilled.

When an existing financial liability is replaced by another one from the same lender under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with any differences between the carrying amounts recognized in profit or loss.

Offsetting of financial assets and liabilities

A financial asset and a financial liability may be offset and the net amount reported in the statement of financial position when a legally enforceable right to set off the amounts exists and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Group has a present obligation (legal or constructive) due to a past event, an outflow of resources will probably be required to settle the obligation, and a reliable estimate of the amount can be made.

When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example, in the case of risks covered by insurance policies, the indemnity is recognized separately as an asset if, and only if, it is practically certain. If it is, the cost of any provision is presented in the statement of profit or loss net of the amount recognized for the indemnity. If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liabilities.

In discounting to present value, the increase in the provision due to the passage of time is recognized as a finance cost.

Liabilities for landfill post-closure costs

There are provisions for costs for the management and recovery of landfill areas that will be incurred at the end of the concessions for post-closure care. As a contra-entry, an increase was recognized plant and machinery, which includes the plant related to the individual landfill.

Costs related to landfill post-closure care are stated at the present value of the costs expected to settle the obligation, using estimated cash flows and a pre-tax discount rate that reflects the risks associated with that liability.

The effect of discounting is charged to profit or loss as a finance cost whenever it appears. The estimated cash flows are reviewed annually and adjusted as appropriate. Changes in cost estimates or in the discount rate are deducted from the cost of the asset.

Employee benefits - retirement benefit obligations

The liability relating to defined benefit plans (retirement benefit obligations accrued at December 31, 2006), net of any plan assets, is determined using actuarial assumptions and is recognized on an accrual basis consistent with the employment service required to obtain the benefits; independent actuaries measure the liability.

Pursuant to the changes resulting from Law 296 of December 27, 2006 (2007 Budget Law) and subsequent decrees and regulations, the retirement benefit obligations of Italian companies accrued from January 1, 2007 or from the date of the option to be exercised by employees is included in the category of defined contribution plans, both in the case of the option for supplementary pension schemes and for the allocation to the INPS Treasury Fund. The accounting treatment of the benefit was thus assimilated to the one in place for contribution payments of another nature.

The liability relating to defined benefit plans, net of any plan assets, is determined using actuarial assumptions and is recognized on an accrual basis consistent with the employment service required to obtain the benefits.

Independent actuaries measure the liability. The gains and losses arising on the actuarial calculation related to the defined benefit plan are recognized in the statement of comprehensive income entirely in the period in which they occur. These actuarial gains and losses are immediately classified as retained earnings and are not reclassified to profit or loss in subsequent periods.

The retirement benefit obligations accrued from January 1, 2007 or from the date the option is chosen are included in the category of defined contribution plans, both in the case of the supplementary pension option and of allocation to the INPS Treasury Fund. The accounting treatment of this benefit was thus assimilated to that in place for contribution payments of another nature.

Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments such as interest rate swaps to hedge risks arising mainly from interest rate fluctuations. These derivative financial instruments are initially recognized at fair value on the date they are entered into; subsequently, the fair value is remeasured regularly. They are accounted for as assets when the fair value is positive and as liabilities when it is negative.

Any gains or losses resulting from changes in the fair value of derivatives that do not qualify for hedge accounting are recognized directly in profit or loss during the year.

The fair value of interest rate swap contracts is determined by reference to the market value for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges if they hedge against the risk of a change in the fair value of the underlying asset or liability; or an irrevocable commitment (excluding currency risk);
- cash flow hedges if they hedge against exposure to cash flow fluctuations attributable to a particular risk associated with a recognized asset or liability or a planned highly probable transaction or currency risk in a firm commitment;
- net investment hedges in a foreign entity.

When entering into a hedging transaction, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives, and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it satisfies all of the following hedge effectiveness requirements:

- an economic relationship exists between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes associated with the economic relationship;
- the hedge ratio reflects the relationship between the hedging instrument and hedged item.

Transactions eligible for hedge accounting are accounted for as follows:

Cash flow hedge

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognized directly in equity, whereas the ineffective portion is recognized immediately in profit or loss. The equity reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in recognition of a non-financial component, the amount accumulated in equity is removed from the separate component of equity and included in the cost or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognized in other comprehensive income (OCI) for the period. This is also the case of a forecast hedge transaction of a non-financial asset or non-financial liability that subsequently becomes an irrevocable commitment to which the fair value hedge accounting applies.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows impact profit or loss.

If the cash flow hedge accounting is discontinued, the amount accumulated in OCI must remain there if the hedged future cash flows are expected to occur. Otherwise, the amount must be immediately reclassified to profit or loss as a reclassification adjustment. After suspension, once the hedged cash flow occurs, any accumulated amount remaining in OCI is accounted for according to the nature of the underlying transaction, as described previously.

Revenue

According to IFRS 15, revenue recognition is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation identified based on the stand-alone selling price of each good or service; (v) recognition of revenue when the related performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is deemed complete when the customer obtains control of the good or service, which may occur continuously over time or at a point in time.

Revenues from contracts with customers are recognized when (or as) the performance obligation is satisfied, and the promised goods and services are transferred to the customer, for an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. The Group generally acts as the Principal for all agreements from which revenues arise.

IFRS 15.48 requires the Group to consider the effects of each of the following when determining the transaction price:

- variable consideration;
- constraining estimates of variable consideration;
- the existence of a significant financing component in the contract;
- non-cash consideration;
- consideration payable to a customer.

If the consideration promised in the contract includes a variable amount, the Group has estimated the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated when the contract is stipulated and cannot be recognized until it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, a significant downward adjustment to the amount of cumulative revenue should be recognized. No sales contract provides customers with a right of return and volume discounts.

The Group has not identified the existence of a significant financing component, non-cash consideration, and consideration payable to the customer.

The Group has considered whether there are other promises in the contract that represent performance obligations on which part of the transaction consideration is to be allocated (e.g. guarantees, customer loyalty programs), but has not identified such cases.

The following specific revenue recognition criteria must be met before revenue is recognized in the statement of profit or loss:

Revenue from rates

Revenues from the integrated water service are determined by reference to the accrued sales, adjusted for any positive or negative adjustments that are certain to be applied. The revenues are determined by reference to the revenue constraint ("Vrg") calculated using the water rate method ("Mti-3") currently in effect for 2020-2023.

The approval of rates under the Mti-3 method consists of defining a revenue constraint ("Vrg"), which determines a rate multiplier (the theta) that defines the rate increases from periods after 2019 (the last year of application of the previous water rate method, "Mti-2").

In addition to containing a component linked to rate adjustments of previous years, the revenue constraint determines with certainty the amount of the adjustment, on the basis of the actual sales, for the year. According to the current method, the adjustment will be included within the determination of the revenue constraint of the second year after the reference period.

Within the defined revenue constraint, the Mti-3 method stipulates that a portion of these revenues must be allocated to the New Investments Fund (Foni).

Given the legal nature of consideration, however, it was considered that the New Investments Fund should be regarded as accrued income.

Under Article 14.1 of the Italian Regulatory Authority for Energy, Networks and Environment ("Arera") Resolution 580/2019/R/idr (Mti-3), the integrated water service ("IWS") operator is required to allocate exclusively to the realization of new investments, identified as a priority in the territory served, a share of the recognized revenue constraint allocated to the New Investments Fund.

The directors have decided to ensure the New Investments Fund constraint by allocating, at the General Meeting for the financial statement approval, a portion of the year's profit corresponding to the amount of this revenue constraint (net of tax) to a non-distributable equity reserve.

If the New Investments Fund amount exceeds the profit for the year, the remainder is allocated to a non-distributable reserve by reducing the distributable equity reserves at that time.

The New Investments Fund allocation to a non-distributable reserve ceases in the following year if the realized IWS investments are equal to or greater than the Fund itself.

Revenues from the waste management service rates and fees are determined by reference to the accrued sales, adjusted for any positive or negative adjustments that are certain to be applied. Such revenues were determined by referring to the financial plans of each municipality calculated using the Mtr-2 currently in effect for 2022-2025, even for the part exceeding the 6.5% rate increase cap set by the method, since Mtr-2 requires it to be recognized through the gradual addition of such portions in the future financial plans without needing additional approval by the national authorities.

Performance of services

The revenue is recognized on an accrual basis, according to the percentage of completion of the activities and/or the consideration established annually in the service contract with the various municipalities.

The percentage of completion is measured by reference to the costs incurred compared to the total costs estimated for each contract. When the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent that the costs incurred are expected to be recoverable.

Sale of goods

Sales revenue is recognized when the entity has transferred control of the goods to the customer, generally on the date of shipment of the goods.

Rental income and concessions

Rent from investment property is accounted for on a straight-line basis over the term of the leases existing at the reporting date.

The concession revenues refer mainly to payments received for space provided to market operators. The revenues are accounted for on a time basis.

Expenses

Expenses are measured at the fair value of the amount paid or payable. Expenses related to goods or services sold or consumed during the year, or deriving from systematic allocation, or when their future utility cannot be identified, are recognized and charged directly to profit or loss.

Government grants

Government grants are recognized when there is reasonable assurance that they will be received and all the conditions attached to them have been met. When grants relate to components of cost, they are recognized as income but distributed on a systematic basis over the periods in a way to relate to the costs they are intended to compensate. Where the grant is related to a fixed asset, it is recognized at its nominal value as a deduction from the cost of the asset, and the income is released to profit or loss on a straight-line basis over the expected useful life of the relevant asset through reduction of the related amortization cost.

Financial income and costs

Interest income

This is recognized as financial income following the verification of accrued interest income (using the effective interest method, which is the rate that exactly discounts expected future cash flows based on the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Dividends are recognized when the shareholders' right to receive payment arises.

Financial costs

Financial costs are recognized in the statement of profit or loss on an accrual basis.

Income Tax

Current taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and regulations used to calculate the amount are those enacted or substantively enacted at the reporting date in the country where the Group operates and generates its taxable income.

Current taxes relating to items recognized directly in equity are also recognized directly in equity and not in profit or loss.

The directors assess regularly the position in the tax return where tax rules are subject to interpretation and, where appropriate, allocate the relevant amounts.

Deferred taxes

Deferred taxes are calculated using the liability method on temporary differences arising at the reporting date between the tax bases of assets and liabilities and the amounts reported in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when deferred tax liabilities derive from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial reporting purposes nor the profit or loss calculated for tax purposes;
- concerning taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the reversal of temporary differences can be controlled and will probably not occur in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and tax assets and liabilities carried forward, to the extent that there will probably be adequate future taxable profits against which the deductible temporary differences and deferred tax assets and liabilities carried forward can be used, except where:

- the deferred tax asset associated with deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the period calculated for financial reporting purposes nor the profit or loss calculated for tax purposes;
- concerning taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the deductible temporary differences will reverse in the immediate future and that there are adequate taxable profits against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future against which such receivable can be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized to the extent that it has become probable that taxable profit will be sufficient to allow those deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the year in which those assets are realized, or those liabilities are settled, considering the rates in effect and those already enacted or substantively enacted at the reporting date.

Income tax on items recognized directly in equity is recognized directly in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities offset each other if there is a legal right to offset current tax assets and current tax liabilities and the deferred income tax refers to the same taxable entity and the same tax authority.

Value added tax

Income, expenses and assets are recognized net of value-added tax, except where:

- such tax is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item recognized in the statement of profit or loss;
- it refers to trade receivables and trade payables presented inclusive of the tax amount.

The net amount of indirect sales tax that can be recovered from or paid to the revenue agency is recognized with the trade receivables or trade payables, depending on whether the balance is positive or negative.

3. Business combinations and transfers of non-controlling interests

Acquisitions and disposals in 2022

Veritas' acquisition of the 23-hectare area from Sifa scpa

With a deed of notary Sandi, rep. 113366 of April 28, 2022, effective May 1, 2022, Veritas acquired from Sifa scpa the business unit concerning the operation of the preliminary waste storage platform in the 23-hectare area.

The purchase price was € 893 thousand, and the assets transferred from the business unit were as follows:

(in thousands of euros)	assets and liabilities acquired from the business unit
Assets	994
non-current assets	994
property, plant and equipment, intangible assets and service concession arrangements	994
Liabilities	-151
non-current liabilities	-67
retirement benefit obligations	-67
current liabilities	-84
other current liabilities	-84
net assets acquired	843
purchase price	893
difference	-50

In the deed, the purchase price was adjusted with the actual carrying amounts of the amounts due to personnel present in the business unit at April 30, 2022, and it was paid on September 13, 2022.

The excess price paid was recognized in profit or loss.

Acquisitions/disposals after the reporting date

On January 1, 2023, the deed stipulated on December 28, 2022 between seller Eco+Eco srl and subsidiary Metalrecycling Venice srl for the sale of the transportation logistics business unit, authenticated with the signature of notary Innocenti of Treviso, took effect.

Among the business unit's assets are various industrial vehicles, handling equipment transferred to Eco+Eco srl through the absorption of Eco-ricicli Veritas srl, vehicles purchased in turn from Busato Trasporti and LTM in 2020.

4. Acquisition of investments in entities under common control

The Group did not formalize any acquisitions of investments in entities under common control.

5. Assets and liabilities held for sale and disposal of receivables due from and payables due to subsidiaries held for sale

These assets and liabilities are classified in the statement of financial position under the following headings:

- current receivables due from or payables due to subsidiaries held for sale;
- non-current receivables due from or payables due to subsidiaries held for sale;
- assets held for sale;
- liabilities held for sale.

For 2022, no companies were consolidated under IFRS 5.

Disposals of individual assets held for sale

Below are some assets with any associated liabilities classified as held for sale following the directors' decision to sell them or, subsequently, the stipulation of preliminary agreements to sell them. The respective comparative items at December 31, 2021 are also presented. In 2022 there were no assets held for sale.

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
assets		
investment property		78
other assets held for sale		104
equity accounting of companies held for sale		
total assets held for sale		182
liabilities		
total liabilities held for sale		
total net assets held for sale		182

6. Intangible assets

Changes in intangible assets at December 31, 2022 and December 31, 2021:

(in thousands of euros)	develop- ment costs	patent rights	licenses and soft- ware	public service conces.	other intangible assets	invest- ments in progress	total
<i>cost</i>							
at January 1, 2021	32	299	48,806	27,871	6,150	5,225	88,383
increases due to business combina- tions							
perimeter change							
increases			3,590			2,184	5,774
disposals							
reclassifications	868				408	-3,654	-2,378
impairment loss						-6	-6
other changes	2				-455	-33	-486
at December 31, 2021	902	299	52,396	27,871	6,103	3,716	91,287
<i>amortization and impairment losses</i>							
at January 1, 2021	-32	-227	-42,198	-22,298	-86	-182	-65,023
increases due to business combina- tions							
perimeter change							
amortization	-89	-21	-3,840	-813	-41		-4,804
disposals							
reclassifications					7		7
impairment loss							
other changes					26		26
at December 31, 2021	-121	-248	-46,038	-23,111	-94	-182	-69,794
residual value of 2021 grants			-8				-8
<i>net carrying amount</i>							
at December 31, 2021	781	51	6,350	4,760	6,009	3,534	21,485
<i>cost</i>							
at January 1, 2022	902	299	52,396	27,871	6,103	3,716	91,287
increases due to business combina- tions							
perimeter change					17		17
increases		3	4,205			2,064	6,272
disposals			-64				-64
reclassifications			1,882		4	-1,711	175
impairment loss							
other changes	-433				-69	229	-273
at December 31, 2022	469	302	58,419	27,871	6,055	4,298	97,414
<i>amortization and impairment losses</i>							
at January 1, 2022	-121	-248	-46,038	-23,111	-94	-182	-69,794
increases due to business combina- tions							
perimeter change					-2		-2
amortization	-46	-21	-4,942	-818	-40		-5,867
disposals			22				22
reclassifications					12		12
impairment loss							
other changes	43			1	20		64
at December 31, 2022	-124	-269	-50,958	-23,928	-104	-182	-75,565
residual value of 2022 grants			-17				-17
<i>net carrying amount</i>							
at December 31, 2022	345	33	7,444	3,943	5,951	4,116	21,832

Licenses and software comprise mainly the costs of developing and updating Sap software modules used by the parent company.

The capital expenditures for the year amount to € 6,272 thousand, whereas those paid in 2022 amount to € 5,412 thousand.

The investments in licenses and software amount to € 4,205 thousand, of which € 3,925 thousand refers to the parent company.

The public service concessions, amounting to € 3,943 thousand at December 31, 2022, refer to the concession of the operation of the Jesolo landfill acquired in 2018 from the Alisea merger (€ 3,194 thousand), and the concession of the use of the Spinea crematorium (€ 749 thousand).

Among the other intangible assets, Eco-ricicli Veritas srl (now Eco+Eco srl) recognized the right to the 10-hectare area acquired from the parent company in 2018 (€ 4,682 thousand); in 2019, the right to the former Co.in.tra. area was finalized for € 1,754 thousand.

Service concession arrangements

Pursuant to IFRIC 12 adoption, after analyzing the existing concession arrangements with the grantors, the Group decided to apply the interpretation to all the integrated water cycle activities managed by the parent company.

Therefore, all the infrastructures were reclassified to a separate item of intangible assets, "service concession arrangements".

In addition, the related government grants, previously classified as items of current and non-current liabilities, were reclassified, thus showing the net amount of the service concession arrangements.

The amounts of the service concession arrangements are as follows:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
water service concession arrangements	283,423	268,035
total service concession arrangements	283,423	268,035

The table below presents the changes in service concession arrangements at December 31, 2022 and December 31, 2021:

<i>(in thousands of euros)</i>	<i>service concession arrangements</i>
<i>cost</i>	
at January 1, 2021	744,112
increases due to business combinations	32,386
perimeter change	
increases	29,515
disposals	-117
reclassifications	9
other changes	
at December 31, 2021	805,905
<i>amortization and impairment losses</i>	
at January 1, 2021	-348,250
increases due to business combinations	
perimeter change	
amortization	-19,781
disposals	112
reclassifications	1
other changes	229
at December 31, 2021	-367,689
residual value of 2021 grants	-170,181
<i>net carrying amount</i>	
at December 31, 2021	268,035
<i>cost</i>	
at January 1, 2022	805,905
increases due to business combinations	
perimeter change	
increases	38,595
disposals	-1,121
reclassifications	-95
other changes	-308
at December 31, 2022	842,976
<i>amortization and impairment losses</i>	
at January 1, 2022	-367,689
increases due to business combinations	
perimeter change	
amortization	-20,936
disposals	953
reclassifications	
other changes	
at December 31, 2022	-387,672
residual value of 2022 grants	-171,881
<i>net carrying amount</i>	
at December 31, 2022	283,423

The capital expenditures for the year amount to € 38,595 thousand, whereas those paid in 2022 amount to € 38,286 thousand.

The service concession arrangement assets include right-of-use assets € 5,085 thousand pursuant to the application of IFRS 16.

The service concession arrangement assets include leased parts of buildings (see Note 2.3 on leases, Note 34 and Note 44), which generate revenue of € 833 thousand.

7. Goodwill and related impairment test

The goodwill acquired through business combinations was allocated to the following separate cash-generating units (CGU), which pertain to different business segments, for the purpose of impairment testing:

- waste treatment plant CGU;
- Mogliano Veneto area integrated water service (IWS) CGU;
- Asvo waste management service (WMS) CGU.

The table below lists the carrying amount of goodwill allocated to each of the cash-generating units:

(in thousands of euros)	Dec. 31, 2021	increase	decrease	Dec. 31, 2022
waste treatment plant CGU	16,065			16,065
Mogliano Veneto area IWS CGU;	788			788
Asvo WMS CGU	4,370			4,370
total goodwill	21,223			21,223

No impairment losses relating to the goodwill allocated to the CGU were identified. No changes in the goodwill recognized compared to 2021 were identified.

Waste treatment plant CGU

The recoverable amount of the waste treatment plant CGU (Eco+Eco srl) was determined on the basis of value in use.

The cash flow projection contained in the 2023-2027 financial plan approved by management was used for the calculation.

The discount rate applied to the prospective cash flows is 6.95%, and a growth rate of 1% was assumed.

The impairment test performed with the assistance of an expert appointed by the parent company confirmed, based on the approved business plan, the recoverability of the amount of goodwill allocated to the CGU and recognized in the financial statements.

Integrated water service in Mogliano Veneto area

The goodwill recognized in the parent company's financial statements, calculated pursuant to the acquisition of Spim SpA's assets in 2008, is tested for impairment at least annually to identify any impairment losses.

The goodwill impairment test was conducted as part of the impairment testing of the assets related to the integrated water service.

Asvo CGU

The recoverable amount of the CGU was determined based on the value in use. The cash flow projection contained in the financial plan approved by management, covering three years (2023-2027), was used for the calculation.

The discount rate applied to the prospective cash flows is 6.95%; no growth rate was assumed.

The impairment test performed with the assistance of an expert appointed by the parent company confirmed, based on the business plan approved by Asvo's management, the recoverability of the amount of goodwill recognized in the financial statements.

Sensitivity to assumption changes

A sensitivity analysis was performed by determining the weighted average cost of capital (WAAC) rate and the growth rate that, all other parameters being constant, would result in no difference between the recoverable amount and the carrying amount for each CGU. The results of the analysis are presented hereunder:

	Sensitivity analysis and parity		
	WAAC	g rate	plan
Eco+Eco Srl	7.10%	0.00%	2023-2027
Asvo SpA	8.60%	0.00%	2023-2027

8. Property, plant and equipment

Changes in property, plant and equipment at December 31, 2022 and at December 31, 2021:

(in thousands of euros)	land and buildings	plant and machinery	industrial and commercial equipment	other assets	leasehold improvements	leased assets	assets under construction or advances	total
<i>cost</i>								
at January 1, 2021	190,709	224,905	64,899	137,296	21,468	26,878	18,308	684,463
increases due to business combinations				78				78
perimeter change								
increases	9,074	5,656	5,318	7,382	518	4,274	10,320	42,542
disposals	-76	-2,533	-1,371	-3,273	-4	-710	-1,013	-8,980
reclassifications	1,560	5,784	355	1,934	2,371	-1,227	-8,473	2,304
impairment loss		11						11
other changes	1,636	-316			-4		-211	1,105
at December 31, 2021	202,903	233,507	69,201	143,417	24,349	29,215	18,931	721,523
<i>depreciation and impairment losses</i>								
at January 1, 2021	-52,151	-142,427	-44,746	-84,940	-13,640	-5,388	-810	-344,102
increases due to business combinations								
perimeter change								
depreciation	-4,193	-12,234	-4,080	-8,432	-1,214	-3,596		-33,749
disposals	22	2,172	1,156	2,996	4	306		6,656
reclassifications		58	28	-406	-7	384		57
impairment loss	-123							-123
other changes					4			4
at December 31, 2021	-56,445	-152,431	-47,642	-90,782	-14,853	-8,294	-810	-371,257
residual value of 2021 grants	-2,246	-3,516	-329	-853	-232			-7,176
<i>net carrying amount</i>								
at December 31, 2021	144,212	77,560	21,230	51,782	9,264	20,921	18,121	343,090
<i>cost</i>								
at January 1, 2022	202,903	233,507	69,201	143,417	24,349	29,215	18,931	721,523
increases due to business combinations	203	5	98	688				994
perimeter change	3,251	1,336		2			884	5,473
increases	1,228	5,607	5,284	5,970	707	2,533	18,340	39,669
disposals	-713	-2,341	-1,621	-1,186	-86	-1,995		-7,942
reclassifications	23,234	4,006	671	1,504	68	-4,005	-10,247	15,231
impairment loss								
other changes	-1,103	4,311			-147	-2,384	-842	-165
at December 31, 2022	229,003	246,431	73,633	150,395	24,891	23,364	27,066	774,783
<i>depreciation and impairment losses</i>								
at January 1, 2022	-56,445	-152,431	-47,642	-90,782	-14,853	-8,294	-810	-371,257
increases due to business combinations								
perimeter change	-362	-129		-1				-492
depreciation	-4,358	-13,764	-4,224	-9,093	-842	-3,680		-35,961
disposals	74	2,084	1,434	1,009	11	1,266		5,878
reclassifications	-1,069	-224	24	-283		2,146		594
impairment loss	-77	-25		-536				-638
other changes		35		-1	126	143		303
at December 31, 2022	-62,237	-164,454	-50,408	-99,687	-15,558	-8,419	-810	-401,573
residual value of 2022 grants	-2,099	-3,756	-297	-921	-205			-7,278
<i>net carrying amount</i>								
at December 31, 2022	164,667	78,221	22,928	49,787	9,128	14,945	26,256	365,932

The value of property, plant and equipment rose from € 343,090 thousand to € 365,932 thousand, an increase of € 22,842 thousand.

The increases due to business combinations refer to Veritas' acquisition of the business unit concerning the operation of the preliminary waste storage platform in the 23-hectare area from Sifa Scpa (for a historical cost of € 994 thousand, including lightweight structures, general plants, furniture and furnishings, equipment and industrial vehicles).

The capital expenditures of € 39,669 thousand included € 1,228 thousand for land and buildings, € 5,607 thousand for plant and machinery, € 5,284 thousand for industrial and commercial equipment, € 5,970 thousand for other tangible assets, € 707 thousand for leasehold improvements, € 2,533 thousand for rights to use assets under leases, and € 18,340 thousand for assets under construction, whereas the expenditures paid in 2022 amount to € 30,426 thousand.

For the parent company, net of intraGroup transactions, the capital expenditures of € 15,295 thousand included € 752 thousand for land and buildings, € 2,459 thousand for plant and machinery, € 3,454 for thousand industrial and commercial equipment, € 4,721 thousand for other tangible assets, € 345 thousand for leasehold improvements, € 1,674 thousand for rights to use assets under leases, and € 1,890 thousand for assets under construction.

The other Group companies' investments of € 16,450 thousand in assets under construction for the year include € 1,889 thousand for the complete renovation of the building provisionally called "B2", with the end of the work and building fitness certificate expected for March 2023, the seismic protection work and full redevelopment of the building provisionally called "C", all the forecourts of subsidiary Depuracque, and € 12,513 thousand for the design and construction of Line 2 of the waste-to-energy plant, whose construction site will begin work in the first half of 2023, and that of the Mpo (plastic recycling) lines to be done in the second half of 2023, in the former Alcoa area of subsidiary Eco+Eco.

The other changes in plant and machinery, € 4,508 thousand, refer to the capitalization of discounted post-closure expenses regarding the Jesolo landfill pursuant to the new estimate of such expenses and the updating of the discount rate.

Reclassifications, used to align the Group's recognition criteria for the assets (specifically, intraGroup changes due to the sale/disposal of assets), are also used to reallocate redeemed leased assets to the corresponding asset categories.

The net decrease of € 2,064 thousand included € 639 thousand for land and buildings, € 257 thousand for plant and machinery, € 187 thousand for industrial and commercial equipment, € 177 thousand for other tangible assets, € 75 thousand for leasehold improvements and € 729 thousand for rights to use assets under leases.

€ 536 thousand of the impairment losses regards the parent company and the remainder refers to Depuracque.

The depreciation for the year, € 35,961 thousand, was calculated on all depreciable assets at the year end by applying rates deemed representative of the economic-technical life of the assets, as explained in the accounting policies.

Such rates, reduced proportionally for assets that began to be used during the year to take into account the shorter period of use, were determined in relation to the remaining useful life of the assets, so they are deemed representative of the economic-technical life of the assets.

The depreciation rate applied to the facilities and land concerning the Jesolo landfill was calculated on the basis of the quantity of waste assigned during the year compared to the residual capacity of the landfill on January 1, 2022; hence, the rate applied this year was 19.44%. The landfill is currently estimated to finish operating at the end of 2027.

Property, plant and equipment include assets leased out that generate income of € 27 thousand from external parties for the parent company, € 39 thousand for Eco+Eco srl, and € 18 thousand

for Metalrecycling srl (see Note 2.3 on leases, Note 34 and Note 44).

The following buildings are encumbered by mortgages to secure financing:

- the building in Santa Croce 489, where Veritas' registered office is located, securing the € 20,000 thousand loan taken out in July 2009 by Veritas spa from Mediocredito del Friuli Venezia Giulia, the remaining balance of which at December 31, 2022 is € 3,005 thousand;
- the area regarding the eco-center in Mogliano Veneto securing the € 1,200 thousand loan Veritas spa obtained in December 2011 from Banca Intesa Infrastrutture e Sviluppo, the remaining balance of which at December 31, 2022 is € 303 thousand;
- the premises of the Ca' Perale a Mirano landfill securing the € 800 thousand loan taken out in March 2014 by Veritas spa from Banca Popolare dell'Alto Adige, the remaining balance of which at December 31, 2022 is € 117 thousand;
- the industrial facility at Via dell'Elettronica 3 in Marghera securing the € 1,440 thousand syndicated mortgage loan taken out in April 2019 by Eco-ricicli (now Eco+Eco) from ICCREA Banca Impresa spa (50% with Banca di Credito Cooperativo di Venezia, Padova e Rovigo), the balance of which at December 31, 2022 is € 692 thousand.

9. Investment property

The following table shows the changes in investment property at December 31, 2022 and December 31, 2021, consisting entirely of land and buildings:

<i>(in thousands of euros)</i>	<i>total</i>
<i>cost</i>	
at January 1, 2021	18,479
increases	
disposals	
reclassifications	
impairment loss	
other changes	
at December 31, 2021	18,479
<i>depreciation and impairment losses</i>	
at January 1, 2021	-65
depreciation	-3
disposals	
reclassifications	
impairment loss	
other changes	
at December 31, 2021	-68
residual value of 2021 grants	
<i>net carrying amount</i>	
at December 31, 2021	18,411
<i>cost</i>	
at January 1, 2022	18,479
increases	
disposals	
reclassifications	-15,915
impairment loss	
other changes	
at December 31, 2022	2,564
<i>depreciation and impairment losses</i>	
at January 1, 2022	-67
depreciation	-3
disposals	
reclassifications	
impairment loss	
other changes	
at December 31, 2022	-70
residual value of 2022 grants	
<i>net carrying amount</i>	
at December 31, 2022	2,494

With the completion of the infrastructure works, the former Alcoa area in Fusina, where the Group is creating the EcoDistrict project, can no longer be considered investment property under IAS 40. Therefore, the area, with a value of € 15,915 thousand, was reclassified as property, plant and equipment.

10. Investments in associates and joint ventures

The changes for the year in investments in associates and joint ventures are shown in the table below.

investees company	value at Dec. 31, 2021				change for the year			value at Dec. 31, 2022				
	% held	amount	impairment/ reval.	total	purchase/ loss cvg.	reclass.	dispos- als/ mergers	impair- ment/ reval.	% held	amount	impair- ment/ reval.	total
										18,66		
Sifa Scpa	33.17%	18,378	-9,198	9,180	289			3	33.17%	7	-9,195	9,472
Veritas Conegliano Srl	48.80%	1,099	0	1,099		-1,099			72.50%	0	0	0
Vier Scarl	49.00%	741	-235	506					49.00%	741	-235	506
OMD Srl	20.59%	4,459	0	4,459					15.32%	4,459	0	4,459
Ecolegno CM Venezia Srl	32.94%	20	0	20					24.52%	20	0	20
Mia energia Srl (formerly Nuova energia srl)	100.00%	0	0	0	14			-10	30.03%	14	-10	4
				15,26						23,90		14,46
total associates		24,697	-9,433	4	303	-1,099		-7		1	-9,440	1

The investments in associates and joint ventures went from € 15,264 thousand to € 14,461 thousand, decreasing by € 803 thousand in connection with Nuova Energia Srl (formerly Mive Srl in liquidation), which is no longer a subsidiary but an associate (+€ 4 thousand: +€ 14 thousand for the investment and -€ 10 thousand for impairment losses), the revaluation of Sifa (+€ 292 thousand), and the reclassification of Veritas Conegliano Srl from associate to subsidiary (-€ 1,099 thousand).

Associates are not listed on any regulated market.

Key figures for the individual companies are reported below. They come from the IFRS financial statements for the companies that have prepared them and otherwise from the restatement of accounts prepared according to Italian GAAP, which are deemed to be representative for IAS purposes.

The associates continue to play a fundamental role in contributing to the industrial and market management of the parent company and the subsidiaries, providing the necessary strategic flexibility in conducting business activities.

Sifa Scpa

Established in 2005, this company designs, builds, and manages construction under a project financing arrangement for the concession from the Veneto Region of the works and activities known as the Fusina Integrated Project, governed by a specific agreement.

This project, which involves the construction of plants for the treatment of wastewater from the Marghera industrial complex and the Mirano area, as well as water for domestic use, consists of a large-scale environmental reclamation project that embraces a vast area of Fusina and includes the burying of high-voltage power lines, a new road system for heavy road transport, hydraulic works, the relocation of a production site, and the conversion of disused petrochemical zones into port areas.

The initial agreement, signed in July 2005 with the Veneto Region, was amended in December 2008 (amendment n. 1) and in March 2010 (amendment n. 2).

Due to worsening economic conditions, in December 2016 Sifa and the Veneto Region signed a new amendment to the concession that envisaged a return to long-term economic and financial equilibrium thanks in part a plant subsidy from the Region in the amount of € 56 million.

In 2020 the Veneto Region decided to strike from the concession the activities previously added with amendment n. 1 regarding the Moranzani program agreement, which opened a lengthy discussion with the region to determine compensation for the works carried out.

In 2021, Sifa's activities continued with the post-treatment of urban wastewater "A," the treatment of industrial wastewater and stormwater runoff from the Porto Marghera industrial area, and the treatment of groundwater from the retroembankments realized by the Interregional Public Works Department and Sifa itself.

Due to the cancellation of the activities included under the Moranzani program agreement, in early 2022 the company sold to Veritas SpA the business unit consisting of the assets, rights, and legal relationships organized for the management of the preliminary waste storage platform in "area 23ha."

The following table therefore shows the company's key figures from its 2021 financial statements, the latest ones approved, since the 2022 statements have not yet been approved by the shareholders on account of the deferral allowed by Decree Law 183/2020 converted into Law 21/2021:

(in thousands of euros)	2021	2020
<i>statement of financial position data</i>		
current assets	33,265	27,067
non-current assets	132,342	136,723
current liabilities	-20,273	-17,203
non-current liabilities	-107,048	-109,397
total net assets	38,287	37,190
<i>statement of profit or loss data</i>		
revenue	27,803	22,102
profit (loss)	1,097	803
carrying amount of the investment	9,472	9,180

At December 31, 2022 the Group recognized:

- € 9.5 million as the carrying amount of the investment in Sifa;
- € 13.7 million in receivables, including financial and trade receivables, mostly from the parent company and to a lesser extent from Depuracque and Lecher;
- € 1.7 million in trade payables, mostly due to the parent.

The company's ownership is as follows: Veritas SpA 32.15%, Depuracque servizi Srl 1.02%, and third parties 66.83%, including Mantovani with 47.00%.

The change for the year reflects an addition to the financial costs calculated for 2016 to 2020, resulting from the discounting of the financial receivable due to the difference between the market interest rate and the interest rate charged.

As reported previously, the agreement of December 27, 2016 between Sifa, the Veneto Region, and Sifa's shareholders and the disbursement by the Region of a € 56 million equipment grant, which made it possible to repay in full the bank loan due at the end of that month, put an end to the uncertainties regarding Sifa's status as a going concern.

In addition, with the new agreements struck by Sifa's shareholders on December 27, 2016, the trade receivables due from Sifa, by mutual agreement of all shareholders, were converted into a financial receivable with deferred repayment in accordance with the provisions of the financial plan, at an interest rate of 2%.

Assessing the market rate applicable to Sifa as 4%, the directors then discounted that receivable to reflect the difference between the two rates, and added that finance cost to the value of the equity investment.

The investment in Sifa was written down for impairment losses in previous years. Although the directors find Sifa's performance to be in line with the business plan approved by management, in reviewing its updated impairment tests while completing the 2022 financial statements, they decided for the sake of prudence not to reverse those losses.

Ecolegno CM Venezia Srl

This company was formed on December 1, 2021 by Sage Srl and Eco-ricicli Veritas Srl (now Eco+Eco Srl), which hold 60% and 40% of the share capital of € 50 thousand, respectively.

The company's main purpose is the collection, marketing, sale, purchase, processing and transformation of non-hazardous waste with a predominantly woody composition, as well as the design and construction of facilities equipped for the storage and treatment of woody waste.

The company was not operational in 2022.

The first financial statements closed on December 31, 2022 but have not yet been approved as a result of the deferred deadline.

OMD Srl

Formed on December 9, 2009, this company produces, installs, and maintains machinery for the handling and processing of industrial products and aggregates, and builds, prepares, and operates plants for the collection and sorting of waste.

In 2021 Eco-ricicli Veritas acquired 25% of the company through the conversion of trade receivables generated mainly by the sale of a glass treatment plant and related subcontracting relationship signed in 2020. Due to the merger of Eco-ricicli Veritas into Ecoprogetto Venezia, the investment is held by Eco+Eco.

At December 31, 2022, OMD is therefore 75% owned by Rell Srl and 25% owned by Eco+Eco Srl.

The following table shows the company's key figures from its 2021 financial statements, as the 2022 statements have not yet been approved by the shareholders due to the deferral taken by its Board of Directors:

<i>(in thousands of euros)</i>	2021	2020
<i>statement of financial position data</i>		
current assets	13,114	8,980
non-current assets	5,366	7,544
current liabilities	-3,714	-3,802
non-current liabilities	-1,638	-5,468
total net assets	13,127	7,255
<i>statement of profit or loss data</i>		
revenue	16,246	12,223
profit (loss)	2,732	1,813
carrying amount of the investment	4,459	4,459

Vier Scarl

This company was formed on March 1, 2011 from the transformation of the former Consorzio veneto riciclo, to which Veritas, on January 1, 2011, had transferred the business unit consisting of energy production from renewable sources and the related maintenance of networks and plants.

In 2020 Veritas SpA sold 51% of its interest in the company, which is therefore no longer a subsidiary of Veritas and no longer under its management and coordination. It is now owned 49% by Veritas SpA, 25.5% by Atlantica SpA, 14.88% by Engie servizi S.p.A., 5.31% by Gpg Srl, and 5.31% by Aiem Srl.

In 2020 the company also became a limited liability consortium and assumed its current name Veneziana impianti energie rinnovabili - Vier scarl, thus adopting a consortium/cooperative structure and an expanded corporate purpose.

In 2022 the company initiated substantial contacts aimed at acquiring business in its new areas of operation. The impact of these new activities in the 2022 statement of financial position is significant, especially in comparison with 2021, though still limited with respect to the growth of revenue and margins expected from the business expansion. Because new contracts relate mostly to public entities and their investee companies and require time for project definition, preparation of tenders, contract negotiations, and so forth, this is an intangible investment in the company's future development, which should bear fruit in the coming years as envisaged in the business plan.

The company's new sphere of operations, to be realized in part through energy efficiency and/or conversion projects serving the needs of the shareholder municipalities of the Veritas Group, includes the design, construction, management, operation, and ordinary and extraordinary maintenance of electric and technological systems; heating and air conditioning systems; public lighting and traffic lights; firefighting systems; photovoltaic, solar thermal and cogeneration plants; remote control and remote management systems; and other similar plant.

In 2023 the company should be awarded a second important public-private partnership to improve the energy efficiency of Veritas plants, formalize other PPPs proposed to Veritas and other public entities, begin production activities on two major contracts acquired in late 2022 and early 2023, and completely redo the heat distribution network of the Giardini del Forte apartment building. It is also moving forward with commercial efforts to find new areas of work and new potential customers for its energy efficiency services.

The following table presents key figures for Vier Scarl:

(in thousands of euros)	2022	2021
<i>statement of financial position data</i>		
current assets	2,209	2,264
non-current assets	3,358	3,805
current liabilities	-1,245	-739
non-current liabilities	-3,280	-4,287
total net assets	1,043	1,043
<i>statement of profit or loss data</i>		
revenue	2,281	1,183
profit (loss)	0	2
carrying amount of the investment	506	506

Mia energia Srl (formerly Nuova energia Srl)

Mive Srl was placed in liquidation under the simplified procedure, starting on May 9, 2014, pursuant to Article 2484(2) of the Italian Civil Code. The company worked mainly in the purchase, sale, and temporary management of buildings, after Veritas transferred a business unit to it in 2008.

In 2022 its last asset, the buildable land on Via Porto di Cavergnago in Mestre Venezia, was sold to Veritas SpA.

With two deeds dated September 6 and September 26, 2022, the company came out of liquidation and changed its business purpose, moved its registered office to Venice, covered its losses, and changed its name to Nuova Energia Srl. The company's new purpose is "To buy and sell electric power, natural gas and other energy products, with a special focus on electricity and gas produced from the transformation of waste or from other renewable sources."

Accumulated and current losses are settled through the waiver by the sole shareholder Veritas SpA of its receivable due from the company, the use of the extraordinary and legal reserves, the cancellation of the existing share capital, and the company's subsequent recapitalization by the sole shareholder.

On December 27, 2022, 70% of Nuova energia Srl's shares were sold to third parties. It is now 51% owned by the Finam Group and 49% by Eco+Eco Srl (since Savno later ceded its 19% interest). On that date, therefore, the company ceased to be a subsidiary of the Veritas Group and is no longer subject to its management and coordination.

The General Meeting of March 6, 2023 voted to cover the loss shown in the 2022 draft financial statements through direct contributions by the shareholders; it also approved a capital increase of up to € 1 million by issuing new stock to be optioned to the existing shareholders. On that occasion, the shareholders voted to pay for 25% of the approved share capital in cash, with the option to call up the remainder by December 31, 2023. For now, the increase has been subscribed only by the controlling shareholder, Finam, and not by Eco+Eco. This means that Eco+Eco's share currently amounts to 1.89% and the company is no longer an associate of the Veritas Group.

The General Meeting also approved a name change to "Mia energia Srl."

Mia energia Srl's key figures are presented below:

(in thousands of euros)	2022	2021
<i>statement of financial position data</i>		
current assets	24	4,232
non-current assets	0	0
current liabilities	-15	-286
non-current liabilities	0	-4,102
total net assets	9	-156
<i>statement of profit or loss data</i>		
revenue	107	153
profit (loss)	-26	-46
carrying amount of the investment	4	

II. Other equity investments

The changes for the year in other equity investments are shown in the table below.

equity investments company	value at Dec. 31, 2021				change for the year				value at Dec. 31, 2022			
	% held	amount	impairment/ reval.	total	purchase/ loss cvg.	disposals/ mergers	impairment/ reval.	% held	amount	impairment/ reval.	total	
Venis SpA	5.00%	114		114				5.00%	114		114	
Vega Scarl	7.64%	259	-259	0				7.64%	259	-259	0	
Viveracqua Scarl	17.90%	50		50				17.90%	50		50	
Savo	0.68%	2		2				0.68%	2		2	
Portogruaro interporto	3.23%	100		100				3.23%	100		100	
Sibelco green solution	10.00%	260		260	330			10.00%	590		590	
Cic consorzio italiano compostatori	1.30%	3		3				1.30%	3		3	
Corepla		1		1	3				4		4	
Bioman SpA	1.84%	1,000		1,000				1.84%	1,000		1,000	
Ciger. consorzio impianti gestione rifiuti					1				1		1	
total other companies		1,789	-259	1,530	334				2,123	-259	1,864	

Other equity investments amount to € 1,864 thousand and refer to non-controlling investments held by the parent company (€ 164 thousand), by Eco+Eco Srl (€ 1,597 thousand), by Asvo SpA (€ 102 thousand), and since 2022 by Depuracque servizi Srl (€ 1 thousand).

Veritas SpA holds equity investments in Venis SpA (€ 114 thousand), Vega Scarl (€ 0, having been written down in full), and Viveracqua Scarl (€ 50 thousand).

Venis SpA and Vega Scarl are controlled by the Municipality of Venice.

Viveracqua is a consortium company owned by the Veneto Region's integrated water service operators. It has a cooperative purpose to create synergies among its member companies, including through the supply of services, such as the procurement of works, services and supplies.

Eco+Eco Srl holds 2% of Bioman SpA, valued in the financial statements at € 1,000 thousand, and an interest in Sibelco Green Solution valued at € 590 thousand following the capital increase carried out during the year in two tranches.

Asvo owns shareholdings in Portogruaro Interporto (€ 100 thousand) and Savo (€ 2 thousand).

Depuracque servizi Srl acquired an investment in Ciger consorzio impianti gestione rifiuti in 2022 for € 500.

Within these Group investments, there are modest shares in various mandatory consortia with a total value of € 7 thousand.

12. Other financial assets

The following table presents the information on other financial assets at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
security deposits	1,571	709
financial receivables due from other parties	6,064	6,042
other non-current receivables	2,000	1,462
total other financial assets	9,635	8,213

The total other financial assets increased by € 1,422 thousand.

The security deposits rose by € 862 thousand, and € 630 thousand originates from security deposits of subsidiary Rive Srl.

The financial receivables due from other parties refer almost entirely to:

- the credit enhancement portion of € 2,400 thousand, equal to 16% of the € 15,000 thousand bond ("hydrobond") issued by former Asi SpA in July 2014, paid into an interest-bearing escrow account. It can be released to the parent company from the date on which the principal still due is 50% of the original principal;
- the parent company's € 3,566 thousand receivable due from the Metropolitan City of Venice, relating to the opening by former Alisea of an escrow account to guarantee the post-closure care of the Jesolo landfill.

The other non-current receivables include a € 500 thousand advance paid by Lecher Ricerche e Analisi during the year upon stipulation of a preliminary agreement for the purchase of quotas representing the entire quota capital of Euroscavi srl, based in Badia Polesine (Ro), a construction company with environmentally friendly technology for trenchless pipe lining, which will be concluded in 2023.

13. Inventories

The following table presents the information on inventories at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
spare parts and consumables	7,695	6,342
fuel	387	220
inventories of work in progress and semi-finished products	3,200	2,953
inventories of goods intended for sale	683	1,043
advances to suppliers	882	12
inventory impairment provision	-502	-502
total inventories	12,345	10,068

Inventories include mainly spare parts to be used for the maintenance of water supply and sewage systems and waste treatment plants, as well as for the maintenance of the waste disposal plants owned by the Group.

Inventories are shown net of an inventory impairment provision recorded by the parent company to account for the obsolescence of some unusable spare parts.

The changes in the inventories of goods intended for sale in the year are attributable to Metalrecycling.

14. Contract work in progress

The following table shows the information on contract assets at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
gross amount due by customers for contract work in progress	21,611	21,780
advances received on contract work in progress	-17,643	-14,347
impairment provision for contract work in progress	-200	-71
net amount of contract work in progress	3,768	7,362

The contract work in progress refer primarily to works and supplies commissioned by the Municipality of Venice and not yet completed by the end of the reporting period, largely concerning the integrated water service, land reclamation, cemetery activities, and public works.

This last activity was acquired in 2021 with the Insula business unit.

At December 31, 2022, the contracts amounted to € 21,611 thousand, adjusted by advances of € 17,643 thousand.

For public works, the agreements with the Municipality of Venice normally provide for the recognition, as consideration for the work carried out, of merely the costs incurred.

15. Trade receivables

The following table presents the information on the trade receivables at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
trade receivables	40,532	38,178
receivables due from IWS and WMS users	135,398	109,376
receivables due from related parties	1,997	2,134
receivables due from entities controlled by the Municipality of Venice	1,752	3,670
total nominal trade receivables	179,679	153,358
provision for doubtful debts - trade receivables	-4,612	-4,683
provision for doubtful debts - utilities	-35,641	-33,621
total provision for doubtful debts	-40,253	-38,304
total trade receivables	139,426	115,054

The trade receivables at December 31, 2022 amount to € 139,426 thousand (€ 115,054 thousand at December 31, 2021) and include the estimated consumption for the year regarding bills and invoices that will be issued after December 31, 2022. The amounts are stated net of a provision for doubtful debts of € 40,253 thousand (€ 38,304 thousand at December 31, 2021).

The total increase from December 31, 2021 is € 24,372 thousand, attributable to the higher receivables of the parent company (+€ 21,031 thousand) and of the subsidiaries (+€ 3,341 thousand).

The parent company's largest changes are the increase in receivables due for water and Tarip bills (+€ 13,878 thousand), the increase in receivables due for water rate adjustments (+€ 12,804) and the impairment of receivables due for water and Tarip bills (-€ 2,013 thousand); the subsidiaries' main changes regard the increase in Depuracque's receivables due from third parties (+€ 3,178 thousand).

The receivables due from integrated waste service (IWS) users and waste management service (WMS) users of the Group (concerning Veritas and Asvo) consist of the following:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
invoiced receivables due from IWS and WMS users	72,805	58,804
receivables due from Tia1 users	12,425	14,368
receivables due from IWS and WMS users to be invoiced	16,230	15,582
receivables due from users for water rate adjustments	37,529	24,725
receivables due from users for environmental rate adjustments	-3,591	-4,103
total receivables due from IWS and WMS users	135,398	109,376

With respect to the receivables due from the waste management service users, the ruling of the Civil Court of Cassation, in joint sections n. 5078/2016, definitively established the tax nature of the waste management services rate (Tia1).

Although the ruling did not affect the ownership of the Tia1 receivable, which remained with the Group companies, the risk of default did not remain with them, given the established tax nature of the rate.

In fact, the tax nature transferred the default risk to the municipalities; an amount for any credit losses is included in waste management financial plans formulated after the credit default is verified, net of any residual amounts for credit losses already included in the previous financial plans under the Tia1 regime.

The receivables due for Tia1 at December 31, 2022 amount to € 12,425 thousand; the remaining credit loss amounts already included in the former financial plans under the Tia1 regime at December 31, 2022 (recognized by the Group as a provision for doubtful debts) amount to € 3,446 thousand.

At December 31, 2022, the parent company's remaining receivables due from users for water rate

adjustments amount to € 37,529 thousand and are broken down as follows:

description of adjustment	amount in €	billing year	year adjusted	decision deed
(remainder to be invoiced) 2004 - 2011 costs/revenues variance adjustments and recognition of depreciation and amortization before 2004 (normalized method)	95	2014-2016	2004-2011	Basin Council Director decision n. 585-586/2014 of June 30, 2014
former Asi 2010-2011 costs/revenues variance adjustments(normalized method)	-2,499	to be determined	2010-2011	East Veneto Basin Council meeting decision n. 4/2012 of Feb. 24, 2012
equalization adjustment to Vrg applied for 2017 (Vrg and Mti2 adjustment)	3,218	2023	2017	Basin Council resolution n. 5/2017 - 6/2017 of Feb. 16, 2017 Aeegsi resolution n. 113/2017/R/ldr
equalization adjustment to Vrg applied for 2019 (Vrg Mti 2 Mti3 adjustment)	4,301	2023	2019	Basin Council resolution n. 9/2018 of June 26, 2018 Arera Resolution n. 10/2019/R/ldr
equalization adjustment to Vrg applied for 2020 (Vrg and Mti3 adjustment)	9,445	2023-2024 and afterward	2020	Arera Resolution n. 46/2021/R/ldr
equalization adjustment to Vrg applied for 2021 (Vrg and Mti3 adjustment)	14,800	2024 and afterward	2021	Arera Resolution n. 46/2021/R/ldr
equalization adjustment to Vrg applied for 2022 (Vrg and Mti3 adjustment)	8,169	2024 and afterward	2021	Arera Resolution n. 687/2022/R/ldr
total receivables due for water rate adjustments	37,529			

The receivables due for waste management rate adjustments originate from the application of the new Mtr rate method established by Arera for the 2020 and 2021 rates, and from the Mtr-2 rate method for the 2022 rates in the 2022-2025 regulatory period.

They refer only to municipalities using the punctual waste management rate (Tarip), invoiced directly by Veritas to the users, whereas for municipalities using the punctual waste management tax (Tari), and which are billed by Veritas for the waste management service, the adjustments are included in the receivables due from shareholders.

With the approval of the 2020 and 2021 financial plans by the Venice Environment Basin Council in June 2021, and the municipalities' subsequent implementation of such financial plans and the adoption of the 2021 rate package, the following were established:

- the 2018 adjustments, split into four installments in the 2020-2023 financial plans;
- the 2019 adjustments, split into four installments in the 2021-2024 financial plans;
- the 2020 adjustments (within the Cap) split into three installments in the 2021-2023 financial plans.

With respect to the 2020-2021 adjustments exceeding the cap, most of the components of such adjustment in determining the 2022-2025 financial plan, approved in April 2022 by the Basin Council, made it possible to enter in 2022 the revenue and receivable of € 1,579 thousand, which however was followed by a writedown of the same amount because uncertainty remains due to the lack of Arera's approval in the investigative stage.

The amount of 2020-2021 over-cap adjustments, not shown as recovered in the 2022-2025 financial plan and thus still unrecognized in the financial statements, is € 136 thousand.

An over-cap amount of € 1,270 thousand was generated in the 2022 financial plan, already included as recovered in the 2023-2025 financial plan, and thus included in the current reporting period's revenues and receivables, but in this case, considering that the Mtr-2 method envisions recovering the adjustments gradually in future financial plans without requiring additional approval from the authorities, no amount was written down.

In addition, (minor) receivables are recognized for rate adjustments deriving from the actual bal-

ance of the financial plans, i.e. between what was charged to the users and what was budgeted in the financial plans (sales variance).

Concerning the sales variance before January 1, 2020, the municipalities' determination of the recovery methods and timing is pending. For the sales variance generated since January 1, 2020, the recovery is set, according to Mtr and Mtr-2, in the financial plans of the second year following the adjustment.

The table below presents the remaining receivables due from users for waste management rate adjustments at December 31, 2022, totaling € - 3,591 thousand:

(in thousands of euros)	amount in k€	billing year	decision deed
2018 Mtr rate adjustments	761	2023	Basin Council resolution n. 5/2021 of June 14, 2021
2019 Mtr rate adjustments	1,343	2023-2024	Basin Council resolution n. 5/2021 of June 14, 2021
2020 Mtr rate adjustments (within Cap)	452	2023-2025	Basin Council resolutions n. 5/2021 of June 14, 2021 and 7/2022 of June 14, 2022
2021 Mtr rate adjustments (within Cap)	-263	2023-2025	Basin Council resolution n. 7/2022 of June 14, 2022
2022 Mtr rate adjustments (WAAC variance)	-106	2024	
2020-2021 Mtr rate adjustments (over Cap)	1,579	2023-2025	Basin Council resolution n. 7/2022 of June 14, 2022
2022 Mtr rate adjustments (over Cap)	1,270	2023-2025	Basin Council resolution n. 7/2022 of June 14, 2022
adjustments for pre-Mtr sales variance at Dec. 31, 2019	-4,021	to be defined	
Mtr 2021 adjustments for sales variance	-1,886	2023	Basin Council resolution n. 7/2022 of June 14, 2022
2022 Mtr adjustments for sales variance	-1,141	2024	
total receivables for waste management rate adjustments	-2,012		
provision for impairment of 2020-2021 over-cap adjustments	-1,579		
total receivables due for rate adjustments net of impairment	-3,591		

The trade receivables do not bear interest and generally have a 60-day maturity.

Receivables due from IWS and WMS users do not bear interest until the established maturity, which is 30 days from the bill issuance date, whereas after the maturity date, interest on arrears accrues as per the regulations approved by the municipalities.

The receivables due from other related parties include receivables due from companies controlled by the shareholder entities.

The following table shows the changes in the provision for doubtful debts in each of the periods considered:

(in thousands of euros)	written down individually	written down collectively	total
at January 1, 2021	3,893	36,637	40,530
allocations	716	198	914
use	-71	-3,038	-3,109
increases, decreases and reversals	-26	-5	-31
at December 31, 2021	4,512	33,792	38,304
perimeter changes			
allocations	830	5,138	5,968
use	-797	-3,119	-3,916
increases, decreases and reversals	-107	4	-103
at December 31, 2022	4,438	35,815	40,253

At December 31, 2022, the aging analysis of past-due but not impaired trade receivables is as follows:

past-due but not impaired

(in thousands of euros)	total	not past-due - performing	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2022	139,426	105,360	4,625	3,395	3,385	1,883	20,778
2021	115,054	82,898	5,309	2,449	2,154	1,881	20,363

The bracket of receivables past-due by more than 120 days is attributable mainly to receivables from billing (Tia-Tarip-water).

16. Receivables due from shareholders

The following table presents the information on receivables due from shareholders at December 31, 2022 and December 31, 2021:

<i>(in thousands of euros)</i>	Dec. 31, 2022 due within 12 months	Dec. 31, 2022 due after 12 months	Dec. 31, 2021 due within 12 months	Dec. 31, 2021 due after 12 months
receivables due from the Municipality of Venice	11,415		11,854	1,998
receivables due from municipalities owning more than 10%				
receivables due from municipalities owning less than 10%	13,188		14,375	
total receivables due from shareholders	24,603		26,229	1,998

The total receivables due from the municipalities fell by € 3,624 thousand.

Currently there are no shareholders with ownership between 10% and 50% (previously, such receivables referred only to the Municipality of Chioggia).

The Group continued to use factoring with its main shareholder municipalities to assign the receivables related to accrued fees.

The receivables due from shareholders within 12 months include adjustments for the waste management rate (under the Tari regime) amounting to € 2,922 thousand, including € 1,854 thousand due from the Municipality of Venice and € 1,068 thousand due from other municipalities. They consist of:

<i>(in thousands of euros)</i>		amount in k€	billing year	decision deed
pre-Mtr rate adjustments	Veritas	1,369	to be defined	
2018 Mtr rate adjustments	Veritas + Asvo	-41	2023	Basin Council resolution n.
2019 Mtr rate adjustments	Veritas + Asvo	-1,234	2022-2024	5/2021 of June 14, 2021
2019 Mtr rate adjustments	Veritas + Asvo	-846	2023-2024	Basin Council resolution n.
2020 Mtr rate adjustments (waste disposal variance)	Asvo SpA	692	2022	5/2021 of June 14, 2021
2020 Mtr rate adjustments (within Cap)	Veritas + Asvo	943	2023-2025	Basin Council resolution n.
pre-Mtr Tia sales variance at Dec. 31, 2019	Veritas SpA	-1,017	to be defined	5/2021 of June 14, 2021 and 7/2022
2021 Mtr rate adjustments (within Cap)	Veritas	-91	2023-2025	Basin Council resolution n.
adjustments for Tia1 receivables recovery in 2020	Veritas SpA	2,001	2022	7/2022 of April 14, 2022
2022 Mtr rate adjustments (WAAC variance)	Veritas	-379	2024	
2020-2021 Mtr rate adjustments (over Cap)	Veritas	910	2023-2025	Basin Council resolution n. 7/2022 of April 14, 2022
2022 Mtr rate adjustments (over Cap)	Veritas + Asvo	574	2023-2025	Basin Council resolution n. 7/2022 of April 14, 2022
pre-Mtr adjustments for Tia sales variance at Dec. 31, 2019	Veritas + Asvo	-99	to be defined	
adjustments for pre-Mtr Tia1 recovery of receivables written off	Veritas	235	to be defined	
adjustments for Tia1 receivables recovery in 2021	Veritas	928	2023	Basin Council resolution n. 7/2022 of April 14, 2022
adjustments for Tia1 receivables recovery in 2022	Veritas	652	2024	
total receivables for rate adjustments		4,155		
provision for impairment of 2020-2021 over-cap adjustments	Veritas	-1,233		
total receivables due for rate adjustments net of impairment		2,922		

The receivables due for rate adjustments recoverable after one year are recognized as current assets as they are part of the normal operating cycle, in accordance with IAS 1, par. 68.

The previous Note explains the measurement of the adjustments.

The 2022 impairment of the over-cap adjustments refers to the portion of such adjustment not included in the 2022-2025 financial plans approved by the Venice Basin Council for the Environment in April 2022.

The receivables due from shareholders for 2020-2021 over-cap rate adjustments not recognized in the financial statements pending Arera's authorization amount to € 675 thousand.

Below is a breakdown of the receivables due from the Municipality of Venice:

<u>(in thousands of euros)</u>	<u>Dec. 31, 2022</u> <u>due within 12</u> <u>months</u>	<u>Dec. 31, 2022</u> <u>due after 12</u> <u>months</u>	<u>Dec. 31, 2021</u> <u>due within 12</u> <u>months</u>	<u>Dec. 31, 2021</u> <u>due after 12</u> <u>months</u>
receivables due from service contracts, engineering work and other current types	8,433		5,481	
receivables due on installment plans	4			1,998
receivables due for invoices to be issued	2,399		4,736	
receivables due for IWS and WMS	-80		-2	
receivables due for grants related to equipment	174			
receivables due for waste management rate adjustments	485		1,639	
total receivables due from the Municipality of Venice	11,415		11,854	1,998

Pursuant to the Rome Appeals Court of Auditors rulings, which denied the effectiveness of the agreement signed by the Municipality of Venice and Veritas for the installment payment of the amounts due for the collection of the fee envisioned by Law 206/95 and cemetery concessions, both parties, by mutual consent, decided to settle all the reciprocal outstanding balances of such agreement. Accordingly, the receivable of € 1,998 thousand due after December 31, 2021 was fully collected in this reporting period.

17. Receivables due from associates

The following table shows the breakdown of the receivables due from associates at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022 due within 12 months	Dec. 31, 2022 due after 12 months	Dec. 31, 2021 due within 12 months	Dec. 31, 2021 due after 12 months
Sifa Scpa	3,909	9,757	3,461	9,934
Veritas Conegliano Srl			28	
OMD Srl	633		33	
Vier Scarl	418	3,226	276	4,227
total receivables due from associates	4,960	12,983	3,798	14,161

The receivables due from Sifa after one year refer mainly to the parent company for converting trade receivables to financial receivables following the stipulation of Sifa's shareholders' agreements on December 27, 2016 and the subsequent acquisition of the same type of receivables from Sifagest in liquidation.

Those receivables are discounted.

The receivables due from Vier after one year refer to a loan granted to the company when it was a subsidiary, originating partly from the transfer of the energy business unit.

Note that in 2021 Mia Energia was reclassified as a subsidiary (with the name of Mive srl in liquidation), and Veritas Conegliano became a subsidiary in 2022.

18. Other receivables

The following table presents the information on the other receivables due at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
grants relating to equipment receivable from public entities	3,311	990
VAT receivable from revenue agency	565	595
receivables due from revenue agency for excise duties, surcharges, and other	2	53
advances to suppliers and employees	3,259	2,475
receivables due from social security institutions	290	292
receivables due from other enterprises	104	124
accrued income and prepaid expenses	5,081	5,078
receivable due on the sale of investment property		172
sundry receivables	3,868	1,176
total other receivables	16,480	10,955

The grants receivable from public entities refer to grants on investments approved mainly by the Veneto Region but not yet paid to the parent company; the amount increased by € 2,321 thousand from the previous year.

The advances to suppliers refer primarily to the 20% advance payment required by public procurement regulations on works; the parent company's receivables rose by € 1,017 thousand.

The prepaid expenses have included, since 2013, a € 5,900 thousand fee paid to Ladurner Srl by subsidiary Ecoprogetto (now Eco+Eco srl) pursuant to the novation of the contract for running and operating the refuse-derived fuel production plants in Fusina, within the framework agreement signed on November 15, 2013. The cost has been deferred for statutory purposes because, although the charge is certain and was determined objectively in 2013, it will have to be deducted from 2016 to 2023, in strict compliance with the chosen accounting treatment. At the end of 2022, the deferral amounted to € 880 thousand.

19. Current tax assets

The following table presents the information on the current tax assets at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
corporate income tax (IRES) credit due within one year	602	2,170
IRES credit due after one year	549	516
regional business tax (IRAP) credit	56	605
other tax credits	5,581	729
total current tax assets	6,788	4,020

The IRES and IRAP credit correspond to the difference between the taxes for the year and the taxes paid in advance.

With respect to IRES, Veritas and the subsidiaries participate in the national tax consolidation, so for such companies only Veritas is responsible paying IRES, since it is the parent company.

The IRES credit due after one year refers to portions of tax credits that can be offset against tax liabilities no earlier than December 31, 2023.

The other tax credits include € 4,468 thousand referring to Veritas' tax credits on electricity and natural gas purchases for the third and fourth quarters of 2022.

20. Cash and cash equivalents

The following table presents the information on the cash and cash equivalents at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
cash and checks outstanding	45	38
bank deposits	148,384	161,834
total cash and cash equivalents	148,429	161,872

The cash at banks accrues interest at variable rates based on the banks' daily deposit rates.

The bank and post office accounts classified as cash and cash equivalents are used in part for Tares and Tari collection.

The fair value of the cash and cash equivalents is € 148,429 thousand (€ 161,872 thousand at December 31, 2021).

The statement of cash flows presents the details of the changes in such cash and cash equivalents.

At December 31, 2022, the Group had undrawn credit lines amounting to approximately € 115.2 million, versus € 111.3 million at December 31, 2021.

21. Share capital and reserves

The following table presents the information on the share capital and reserves at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
share capital	145,397	145,397
legal reserve	4,967	4,495
own shares	-1	-1
other reserves	140,319	129,802
total equity attributable to owners of the parent	290,682	279,693
capital and reserves attributable to non-controlling interests	29,377	29,443
total equity attributable to non-controlling interests	29,377	29,443
total equity	320,059	309,136

The parent company's share capital at December 31, 2022 was € 145,397 thousand and consisted of 2,907,943 shares with a par value of € 50 per share. Of these, 8 shares, for a par value of € 400, are Veritas' own shares held for the purpose of possible future sales to the shareholder municipalities and other municipalities pursuant to mergers planned and the awarding of services in other territories.

The legal reserve increased by € 472 thousand from the previous year as a result of the allocation of 5% of the 2021 profit. Since it has not reached the limit set by Civil Code Article 2430, the reserve is unavailable.

The other reserves include the non-distributable reserve for the New Investments Fund (Foni) constraint in the amount of € 23,503 consisting of:

- € 17,498 thousand from the allocation of the 2021 profit, as it is necessary to ensure the allocation constraint of water investments concerning the Foni component of the 2021 water rate (under art. 22.1 of Annex A of Aeegsi Resolution 643/2013/R/idr) through the allocation of a specific unavailable equity reserve; since the water investments subject to the 2021 rate allocation constraint have been made, the General Meeting can nullify the unavailability of the Foni part of the reserve when it approves the financial statements,
- € 6,005 thousand in 2016 to observe the five-year guarantee under Art. 151, paragraph 5 of Legislative Decree 152/2006, which requires the water service operator to provide a guarantee to cover the investments equal to 10% of the planned investments.

Furthermore, while approving the 2022 financial statements, the directors decided this year to ensure the water investments allocation constraint for the Foni part of the 2022 rate, equal to € 19,915 thousand.

The other reserves rose by € 10,517 thousand due largely to the recognition of the Group's profit of € 7,286 thousand and the annual effect of actuarial gains on the retirement benefit obligation and adjustment of the cash flow hedge reserve of € 4,348 thousand.

The negative cash flow hedge reserve, relating to derivative contracts, became positive this year, with a € 1,482 thousand increase over the prior year from the parent company and € 1,238 thousand from the subsidiaries, due to the verification their characteristics as hedges of interest rate risk.

The non-controlling interests in equity represent the share capital, reserves and net profit of external shareholders present in subsidiaries Eco+Eco srl, Asvo spa, Consorzio Bonifica e Riconversione Produttiva Fusina, Metalrecycling srl, Rive srl, Ecodistretto trasporti scarl and Veritas Conegliano srl. At December 31, 2022, they amounted to € 29,377 thousand; the loss attributable to non-controlling interests is € -1,131 thousand.

22. Non-current and current financial liabilities

The financial liabilities amount to € 234,396 thousand (of which € 179,959 thousand matures after one year and € 54,438 thousand within one year), down by € 2,492 thousand from the previous year.

The part relating only to loans is € 234,306 thousand, and the table below presents the information at December 31, 2022:

(in thousands of euros)	issuance date	original amount	interest rate	maturity date	remaining balance at Dec. 31, 2022	of which short-term	of which long-term
	Dec. 29, 2009	25,000	6m Euribor + 1.30%	Dec. 31, 2025	5,696	1,856	3,840
*	July 24, 2009	20,000	6m Euribor + 1.75%	June 30, 2024	3,004	1,973	1,031
*	Dec. 28, 2011	1,200	fixed 4.40%	June 30, 2026	303	82	221
*	March 20, 2014	800	3m Euribor + 4.00%	March 20, 2024	117	93	24
**	May 6, 2015	30000	fixed 0.68%	May 6, 2030	19,904	2,661	17,243
**	Sept. 19, 2016	20,000	fixed 0.61%	Sept. 19, 2031	16,067	1,721	14,346
**	Jan 13, 2017	10,000	3m Euribor + 2.25%	March 31, 2024	1,923	1,539	384
	June 30, 2008	1,450	6m Euribor + 0.90%	June 30, 2023	70	70	0
**	June 30, 2010	3,000	6m Euribor + 1.49%	Dec. 31, 2025	600	200	400
	Nov. 22, 2010	587	6m Euribor + 1.31%	Dec. 31, 2025	134	44	90
	Jan 13, 2017	5,000	6m Euribor + 0.95%	Dec. 31, 2024	1,511	759	752
	May 30, 2017	10000	3m Euribor + 2.50	June 30, 2023	1,075	1,075	0
**	June 1, 2017	15,000	3m Euribor + 2.90%	June 30, 2024	3,781	2,522	1,259
**	Jan. 29, 2018	8,000	fixed 2.53%	June 30, 2025	2,849	1,138	1,711
	May 3, 2018	3,000	3m Euribor + 2.15%	June 30, 2023	317	317	0
	May 8, 2019	5,000	3m Euribor + 2.30%	June 28, 2024	1,589	1,054	535
**	June 19, 2019	15,000	6m Euribor + 2.85%	June 19, 2025	7,353	2,924	4,429
	Oct. 30, 2019	10,000	6m Euribor + 2.50%	Oct. 31, 2025	6,397	2,093	4,304
	Jan 14, 2020	15,000	Euribor 1m + 2.50	Feb. 1, 2027	9,564	2,252	7,312
**	Nov. 12, 2020	40,000	3m Euribor + 1.30%	Sept. 30, 2026	31,082	8,543	22,539
	May 31, 2021	15,000	fixed 2.45%	June 30, 2027	11,412	2,422	8,990
**	Sept. 28, 2021	10,000	3m Euribor + 1.70%	June 30, 2027	9,221	2,078	7,143
	Oct. 26, 2021	10,000	fixed 1.50%	May 31, 2029	8,914	1,393	7,521
	Nov. 2, 2021	7,000	3m Euribor + 1.56%	Sept. 30, 2026	5,658	1,529	4,129
(a)**	June 29, 2022	10,000	3m Euribor + 1.85%	March 31, 2028	10,074	1,886	8,188
(b)**	Aug. 8, 2022	30,000	fixed 3.20%	Aug. 8, 2037	30,307	-5	30,312
**	Dec. 17, 2020	8,000	3m Euribor + 2.10%	April 30, 2028	6,338	1,090	5,248
**	July 28, 2021	20,000	3m Euribor + 2.05%	June 30, 2027	20,027	2,484	17,543
	Dec. 20, 2018	1,000	3m Euribor + 3.00%	Dec. 19, 2023	215	215	0
	March 21, 2019	1,000	3m Euribor + 2.50	Dec. 31, 2023	210	210	0
*	April 23, 2019	1,440	3m Euribor + 2.50	Dec. 31, 2025	692	225	467
	June 19, 2019	1,000	6m Euribor + 2.85%	June 19, 2024	320	213	107
	Nov. 22, 2019	500	3m Euribor + 3.00%	Nov. 21, 2024	204	104	100
	Jan. 21, 2020	1,000	3m Euribor + 2.00%	March 31, 2023	86	86	0
**	Feb. 22, 2021	6,000	3m Euribor + 2.80%	Dec. 31, 2026	4,883	1,173	3,710
	June 28, 2021	2000	6m Euribor + 2.10%	June 30, 2026	1,448	394	1,054
	July 12, 2021	2,000	fixed 3.00%	June 30, 2027	1,794	402	1,392
	Nov. 8, 2021	3,000	12m Euribor + 2.60%	Oct. 29, 2026	2,381	572	1,809
**	May 29, 2020	6,200	3m Euribor + 2.75%	March 31, 2026	4,478	4,478	0
(c)**	Oct. 25, 2018	3,000	fixed 3.48%	June 30, 2026	2,308	482	1,826
total long-term loans					234,306	54,347	179,959
less current portion					-54,347		
long-term loans - non-current portion					179,959		

The following loans (marked in the table with *) are secured by mortgages:

- € 20,000 thousand loan stipulated in July 2009 by Veritas SpA with Mediocredito del Friuli Ve-

nezia Giulia, whose remaining balance at December 31, 2022 is € 3,005 thousand, secured by a mortgage on the building at Santa Croce 489, where the company has its registered office;

- € 1,200 thousand loan obtained in December 2011 by Veritas SpA from Banca Intesa Infrastruttura e Sviluppo, whose remaining balance at December 31, 2022 is € 303 thousand, secured by a mortgage on the Mogliano Veneto Eco-center area;
- € 800 thousand loan stipulated in March 2014 by Veritas SpA with Banca Popolare dell'Alto Adige, whose remaining balance at December 31, 2022 is € 117 thousand, secured by a mortgage on the Ca' Perale in Mirano landfill areas.
- € 1,440 thousand syndicated mortgage loan taken out in April 2019 by Eco-ricicli from IC-CREA Banca Impresa spa (50% with Banca di Credito Cooperativo di Venezia, Padova e Rovigo), whose remaining balance at December 31, 2022 is € 692 thousand, secured by a mortgage on the industrial plant in Via dell'Elettronica 3 in Marghera.

With respect to the financial management process, it was necessary to renew the maturing loans and keep the Group's liquidity high in order to satisfy the current working capital requirements and keep making the investments.

During 2022, the following unsecured loans were taken out:

- a) € 10,000 thousand loan stipulated on June 29, 2022 by Veritas SpA with Banca Ifis backed by a Sace guarantee. The loan, which matures on March 31, 2028, requires quarterly repayments at a variable rate of the 3m Euribor + 1.85% spread; repayment will commence on March 31, 2023;
- b) € 50,000 thousand loan stipulated on July 27, 2022 by Veritas spa with the European Investment Bank, granted in two tranches of € 30,000 thousand and € 20,000 thousand; such loan was required in the Group's normal financial management process, which indicates the continuous need to support long-term investments that the organization needs to make to abide by the plans approved by the shareholder municipalities and Basin entities. The first tranche of € 30,000 thousand was granted on August 8, 2022. The second one was granted in February 2023. The maturity date of the first tranche is August 8, 2037 and requires semiannual repayments at a fixed interest rate of 3.20%; repayment will commence on February 8, 2027.
- c) € 3,000 thousand loan stipulated on October 25, 2018 by Veritas Conegliano (subsidiary since 2022) with Banca Monte dei Paschi di Siena. The loan, which matures on June 30, 2026, requires semiannual repayments at a fixed interest rate of 3.48%; repayment commenced on September 30, 2020.

The loans referred to in points a) and b) are backed by a Sace guarantee.

To ensure the liquidity needed by the enterprises impacted by the Covid-19 epidemic, Decree Law n. 23, Article 1, para. 1 of April 8, 2020 gave Sace spa the possibility to issue guarantees until June 30, 2022, in compliance with the European regulations on State aid to banks, national and international financial institutions and other entities authorized to grant credit in Italy, on financing in any form to such enterprises. Therefore, from 2020 to 2022 four loans were stipulated, including the one from Banca Ifis referred to above, to support the financial requirement to carry out the investments planned for the next few years in the integrated water service, waste management service, local public services and central structures, such as information systems and expansions in asset management.

Certain long-term loans taken out over the years by the Group (marked ** in the table) contain contractual clauses (covenants) that require compliance with specified financial parameters based on the results of the consolidated and/or separate financial statements at December 31 of each year.

In the event of non-compliance, the banks could exercise their right to demand early repayment of the remaining balance on the loans granted.

Based on the consolidated and separate financial statements at December 31, 2022, the parent company and other Group companies complied with the loan covenants.

At December 31, 2022, the maturities of the long-term loans by period are as follows:

<u>(in thousands of euros)</u>	<u>December 31, 2022</u>
December 31, 2023	54,347
December 31, 2024	45,492
December 31, 2025	39,782
December 31, 2026	30,813
December 31, 2027	17,049
after 2027	46,823
total long-term loans	234,306

The following table shows the breakdown of financial liabilities and the current portion of long-term loans due at December 31, 2022 and December 31, 2021:

<u>(in thousands of euros)</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
current portion of long-term loans	54,347	45,941
bank account overdrafts	91	1,489
total financial liabilities and current portion of long-term loans	54,438	47,430

The bank account overdrafts refer to the overdrafts at the reporting date. The bank account overdrafts are not secured by collateral or personal guarantees and accrue interest at a variable rate.

23. Financial liabilities from other lenders

Financial liabilities from other lenders amounted to € 169,454 thousand, of which € 154,606 thousand was long-term and € 14,848 thousand short-term. It has decreased by € 938 thousand since the previous year.

The item consists of:

- bonds for € 135,429 thousand (including € 4,040 thousand short-term) concerning the parent company;
- finance lease liabilities of € 1,075 thousand (including € 435 thousand short-term);
- operating lease liabilities (IFRS 16) of € 7,443 thousand (including € 2,257 thousand short-term). They include lease payments of € 1,389 thousand (including € 276 thousand short-term) due to other related parties and € 57 thousand (including € 53 thousand short-term) due to subsidiaries of the Municipality of Venice and other municipalities;
- other financing of € 25,507 thousand (including € 8,116 thousand short-term) referring to loans of the subsidiaries from other non-Group shareholders and, for the short-term portion, to Ecoprogetto's assignment of the trade receivables due from Veritas.

The bond payables, recognized at amortized cost using the effective interest rate method, relate to the following:

1. € 10,784 thousand to the bond notes issued by former Asi in July 2014 (the "Hydrobond") for a nominal amount of € 15,000 thousand on the Italian ExtraMot Pro market;
2. € 99,786 thousand to the bond notes issued by Veritas in December 2020 for a nominal amount of € 100,000 thousand on the Irish Stock Exchange (Euronext Dublin - ISE);
3. € 24,859 thousand to the new bond notes issued by Veritas in December 2021 for a nominal amount of € 25,000 thousand for private subscription by professional investors.

The € 15,000 thousand Hydrobond has the following characteristics:

- 20-year duration with maturity in July 2034;
- nominal amount to be redeemed in € 375 thousand portions from January 2017; hence, principal of € 750 thousand was redeemed in 2022;
- issued as part of a project involving the member companies of Viveracqua, with two issuance phases (the Asi one is part of the first issuance), for a total amount of € 227,000 thousand: the Hydrobonds issued by the Viveracqua companies were placed by a special purpose vehicle (Viveracqua Hydrobond 1 - VH1); 97.2% of them were subscribed by the European Investment Bank (EIB) and the remaining 2.8% by other institutional investors;
- the bond notes accrue simple interest of 4.2% paid to VH1, which then pays 3.9% interest to the underwriters; there is a reconveyance of the interest paid by both VH1 of 0.3% and by the second issuers of 1.5%, as the latter obtained a lower interest payment than that of the first issuers;
- a credit enhancement of € 2,400 thousand was established and deposited in an escrow account; the interest accruing on such amounts is to be used as a priority to pay the transaction costs (see section on other financial assets);
- compliance is required with the following loan covenants with the European Investment Bank:
 - EBITDA/financial costs > 3.5
 - Net debt/EBITDA ≤ 5

The covenants are reviewed every six months on the basis of the consolidated financial statement results. At December 31, 2022, the covenants were complied with.

The bond issued in 2020 of € 100,000 thousand has the following characteristics:

- nominal amount to be redeemed with a € 100,000 thousand bullet payment at maturity;
- placed in December 2020 on the Irish Stock Exchange (Euronext Dublin) and subscribed by qualified investors;
- 7-year duration with maturity in December 2027;
- annual deferred coupon payments in December of each year at a nominal interest rate of 3.25%, subject to a possible increase (step-up) of 0.10% per annum concerning any of the interest periods from 2024 to 2027 if the company fails to achieve a rating or environmental, social and governance (ESG) score of a predetermined level;
- the rating or ESG score, each year starting from November 2024, must be any one of the following ratings or ESG scores:
 - for EcoVadis, a sustainability rating of Gold or better;
 - for ISS, a corporate ESG rating of C+ or higher; or
 - for Sustainalytics, an ESG risk rating of 25 or less;

- compliance with the following loan covenants:

net debt/equity ≤ 2

net debt/EBITDA ≤ 5

The covenants are reviewed annually based on the results of the consolidated financial statements. At December 31, 2022, the covenants were complied with.

The new bond of € 25,000 thousand issued in December 2021 has the following characteristics:

- 17-year year duration with maturity in December 2038;
- a nominal amount to be redeemed in semiannual payments of € 860 thousand from December 31, 2024;
- private placement with unlisted professional infrastructure investors;
- semi-annual deferred coupon payments in June and December of each year at a nominal interest rate of 3.35%;
- compliance with the following loan covenants:

net debt/equity ≤ 2

net debt/total fixed assets $\leq 60\%$.

The covenants are reviewed annually based on the consolidated financial statement results. At December 31, 2022, the covenants were complied with.

The finance lease liabilities are detailed in the following table:

(in thousands of euros)	commencement date	original amount	interest rate	end date	remaining payments		
					due at Dec. 31, 2022	of which short-term	of which long-term
De Lage Landen	Dec. 17, 2020	300	2.63%	2026	161	51	110
De Lage Landen	Sept. 29, 2021	268	2.63%	2026	177	45	132
Credemleasing	April 28, 2020	820	2.27%	2024	229	170	59
BNP Paribas	Aug. 25, 2020	159	1.50%	2025	80	29	51
BNP Paribas	Sept. 16, 2020	28	1.50%	2025	14	5	9
Cnh Industrial	Sept. 22, 2020	340	2.62%	2025	191	67	124
BNP Paribas	Nov. 20, 2020	37	1.51%	2025	20	7	13
BNP Paribas	Dec. 24, 2020	68	2.20%	2026	38	12	26
BNP Paribas	March 18, 2021	124	2.02%	2026	74	22	52
Komatsu	March 26, 2021	159	1.51%	2026	91	27	64
total leases		2,303			1,075	435	640

No new finance leases were stipulated in 2022.

The operating lease liabilities are detailed in the following table:

(in thousands of euros)	rate of interest	end date	remaining payments		
			due at Dec. 31, 2022	of which short-term	of which long-term
Veritas SpA	1.11% – 3.50%	2023-2038	5,266	1,431	3,835
Depuracque servizi Srl	1.11% – 3.50%	2023-2028	213	106	107
Lecher ricerche e analisi Srl	2.29% – 3.50%	2023-2025	27	19	8
Rive recuperi industriali Venezias Srl	2.00%	2023	3	3	0
Eco+Eco Srl	2.03% - 3.50%	2023-2038	1,563	602	961
Asvo SpA	2.29% – 3.50%	2023-2031	365	90	275
Metalrecycling Venice Srl	3.50%	2023	6	6	0
total			7,443	2,257	5,186

The operating lease liabilities recognized in accordance with IFRS 16 decreased by € 1,247 thousand from the prior year.

When operating leases are stipulated with related parties, the related payables are recognized in the respective item referring to those related parties.

The other financing is € 25,507 thousand, and € 14,980 thousand refers to the amount due by the parent company to Veneto Acque, an in-house company of the Region of Veneto, for the acquisition of two business units regarding the Savec – East infrastructure.

Both payables present the following characteristics:

- March 31, 2038 maturity;
- 35 semiannual payments starting from March 31, 2021;
- an internal rate of return (IRR) of 3.57% and 3.65%.

The other financing also includes a € 5,028 thousand advance from Cassa per i Servizi Energetici e Ambientali (Energy and Environmental Services Fund - CSEA), activated in December 2022, regarding the procurement of resources to deal with the higher electricity costs, implementing Italian Regulatory Authority for Energy, Networks and Environment (ARERA) resolution n. 495/2022/R/idr.

The amount will be returned in two equal installments by December 31, 2023 and December 31, 2024, with interest at the 6m Euribor plus a 0.161% spread.

24. Provisions for risks and charges

The table below presents the changes in the provisions for risks and charges in 2022 and 2021:

(in thousands of euros)	provision for post-closure care of Ca' Rossa landfill	provision for post-closure care of Piave Nuovo landfill	provision for post-closure care of Centa Taglio landfill	provision for lawsuits	other provisions for risks and charges	total
at December 31, 2020	3,061	19,597	10,160	2,265	32,257	67,340
allocations		573		6,114	2,646	9,333
other changes		-315	256		-1,555	-1,614
Use	-1,277		-48	-2,265	-3,253	-6,843
at December 31, 2021	1,784	19,855	10,368	6,114	30,095	68,216
business combinations & changes in scope of consolidation					37	37
allocations		1,189			12,645	13,834
other changes		3,113	369	-390	-2,469	623
use	-925		-423	-1,347	-3,456	-6,151
at December 31, 2022	859	24,157	10,314	4,377	36,852	76,559

The provisions for risks and charges increased by € 8,343 thousand, from € 68,216 thousand at December 31, 2021 to € 76,559 thousand at the end of 2022.

The nature of the largest provisions is briefly described below.

Provisions for post-closure care of landfills

Ca' Rossa landfill in Chioggia (VE)

This provision covers the costs of rehabilitating the landfill area, including waste monitoring and disposal. Plant shutdown activities continued during the year.

Due to the new geotechnical conditions of the landfill demonstrated by the studies initiated in 2008 (required in part for renewal of the waste management permit), the new rules for the financial guarantee issued by the Region in 2012, and the outcome of the studies carried out at the University of Padua showing the need to reduce the level of leachate in the landfill to prevent environmental pollution, in 2012 the company had begun to update estimates of the costs for the closure and post-closure care of the Ca' Rossa landfill.

These preliminary estimates suggested potential additional charges, for both new work to be carried out and updated post-closure costs, of € 9.3 million.

The directors therefore negotiated with the municipality of Chioggia to have these potential additional charges recognized in the annual waste management costs included in the financial plans related to setting the Tares/Tari rate. With Resolution 62 of June 27, 2013, the municipal council approved the proposal for including a specific cost item for every year of post-closure care, starting in 2014.

The inclusion of these costs in the calculation of the waste management rates or fees thus made it unnecessary to supplement the provisions for rehabilitation of the area.

The 30-year plan for covering both the post-closure costs and the works needed to close the landfill, in the form of budget provisions and the inclusion of the specific cost item in the financial plans for Tares/Tari purposes, was then modified through an agreement between Veritas and the municipality in February 2016, but only with regard to how the fee was paid: for 2015 to 2018 in a lump sum of € 2,223 thousand and for 2016 as a capital grant, leaving unchanged the guarantee of full coverage of the costs over the 30 years. For 2019-2022 as well, the municipality approved the payment of these amounts as a capital grant of € 1,859 thousand outside the Tari financial plans,

while with the approval of the 2022-2025 FPs for the waste management service by the Venice Environment Basin Council, the recovered post-closure costs were included in Chioggia's FPs in implementation of its Resolution 62 of June 27, 2013.

In addition, in 2022 the estimates of post-closure costs were newly revised to reflect the increased leachate disposal costs under the recent regional directives on PFAS levels, as well as the higher price of the materials needed to complete the safety works.

These potential additional expenses amounted at December 31, 2022 to € 11.8 million, as follows:

- € 1.1 million for closure works;
- € 1.4 million for operating expenses (excluding leachate);
- € 9.2 million for leachate treatment and disposal.

These, too, can be recovered within the rate in future FPs for the waste management service at the time the costs are incurred, as provided for under the Mtr-2 rate method; specifically, Article 11.3 of Annex A of Resolution 363/2021/R/rif states that *"the local entity can include in recognized costs any costs for the post-operational management and closure of authorized landfills if the resources allocated in accordance with applicable law are insufficient to ensure the environmental restoration of the landfill site."*

In this case as well, the inclusion of these costs in the calculation of the waste management rates or fees made it unnecessary to supplement the provisions for rehabilitation of the area.

In the meantime, the municipality of Chioggia applied to the Veneto Region on March 2, 2023 for a grant to cover these costs.

Piave Nuovo landfill in Jesolo (VE)

This provision covers the future charges (discounted to present value) that the company will incur both for post-closure care and capping of the Jesolo landfill, calculated on the basis of expert appraisal.

The provision was recalculated following the approval on December 9, 2019 by the Metropolitan City of Venice of a planned variant that increases the authorized disposal quantities, but reschedules the end date from 2030 to 2027.

With the revision of cost estimates to reflect the increased leachate disposal costs under the regional directives on PFAS levels, as well as the new estimate of cash flows to be absorbed by capping, in 2022 the provision was again recalculated and increased by € 4,508 thousand.

The total new costs amount to € 28,496 thousand, discounted at December 31, 2022 to € 24,157 thousand with the recognition of financial costs of € 1,189 thousand and a discounting adjustment of -€ 1,395 thousand.

Centa Taglio landfill in Portogruaro (VE)

This provision covers the estimated charge based on annual expert appraisal. It takes into account the environmental restoration of lots 0, 1 and 2 and the post-closure costs of lots 1 and 2.

The capping works for lots 1 and 2 of the Centa Taglio landfill in Portogruaro passed inspection in 2021, and the post-closure period began in November of that year, to conclude in 2051.

The provision is discounted to present value on the basis of expected use, which is forecast annually. The changes include +€ 369 thousand for the recognition of charges for discounting.

Provision for lawsuits

The provision for lawsuits concerns the parent company, with respect to any disputes with per-

sonnel and third parties.

With a balance of € 4,377 thousand at December 31, 2022, it covers pending lawsuits with personnel and third parties, principally users disputing VAT charges on Tia. Most of these cases should conclude within the next three years.

Other provisions for risks and charges

The table below shows the changes in other provisions for risks and charges in 2022 and 2021:

(in thousands of euros)	prov. for hidden water leaks	provi- sion for sludge awaiting disposal	prov. for interest on arrears (Court of Auditors rulings)	Provi. For tax audits.	prov. for 2008-2019 ICI/IMU tax	prov. for conces- sion fees	prov. for damag- es and deducti- bles	Conso- zio Fusina prov.	San Liberale prov.	prov. for water invest- ment planning fines.	prov. for water quality fines	Jesolo landfill prov.	prov. for person- nel costs	sundry minor prov.s for risks and charges	total
at December 31, 2020	6,136	1,353	3,537	1,116	10,849	1,042	245	1,103	107	1,002	0	0	0	5,767	32,257
incr. for business comb. allocations		1,745				136	50				339			376	2,646
other changes	1,114		-2,287	-188										-194	-1,555
use		-547		-109		-4	-44		-6					-2,543	-3,253
at December 31, 2021	7,250	2,551	1,250	819	10,849	1,174	251	1,103	101	1,002	339	0	0	3,406	30,095
incr. for business comb. allocations		2,024				393	47				114	2,817	6,500	(750)	12,645
other changes	326		-522	-359				-1						-1,913	-2,469
use		-271	-728			-234	-82	-1,102	-9					-1,030	-3,456
at December 31, 2022	7,576	4,304	0	460	10,849	1,333	216	0	92	1,002	453	2,817	6,500	1,250	36,852

Other provisions for risks and charges mostly concern the parent company. The largest of these are described hereunder.

Other provisions for risks and charges include the allocation this year of € 6,500 thousand in relation to an agreement signed with the local labor unions on December 7, 2022 for the definition of an intergenerational turnover contract pursuant to Article 41 of Legislative Decree 148/2015, which will concern the early retirement in 2023 of approximately 120 employees.

Provision for interest on arrears (Court of Auditors rulings)

This provision covered interest on arrears as per rulings by the Court of Auditors, which deemed the 2015 credit and debt offsetting agreement between Veritas and the municipality of Venice to be invalid, and therefore ordered Veritas to pay interest on arrears as well as the amount due to the municipality at December 31, 2014 for the collection of fees under Law 206/95 and cemetery concessions and fees.

In appeal rulings of March 2022, the Rome Court of Auditors dismissed from the case the amounts due before January 1, 2012 but ordered payment of the amounts collected and not yet repaid for the years 2012-2014, plus interest.

The dispute came to an end in July 2022, when Veritas paid to the municipality of Venice of the remaining € 15,020 thousand due plus interest of € 728 thousand.

Because the provision had a balance of € 1,250 thousand at the end of 2021, an out-of-period gain of € 522 was recognized as financial income.

Provision for sludge awaiting disposal

The allocation to this provision refers to next year's costs for the disposal of sludge produced this year by the sewage treatment plants. While awaiting disposal, the sludge is stored in the 23-hectare area operated by Veritas since July 2021.

At December 31, 2022 this provision amounted to € 4,304 thousand.

Provision for tax audits

With a balance of € 460 thousand at December 31, 2022, this refers to tax or similar audits that have been finalized or are in the course of being finalized, including those the Group has contested. They mostly relate to the property taxes ICI and IMU.

Provision for hidden water leaks

These are the total amounts (net of use) charged for voluntary participation to the water service users, which can be credited to those users in the event of an anomalous leak in their water system after the meter.

The provision and its use are governed by regulations approved by the Basin Council.

At December 31, 2022 it amounted to € 7,576 thousand.

Provision for 2008-2019 ICI/IMU tax

The balance of € 10,849 thousand was allocated in 2019 by Ecoprogetto (now Eco+Eco) to cover the ICI/IMU local property taxes for the years 2008 to 2019 after it lost the case heard on October 7, 2019 before the Court of Cassation. The decision announced on March 2, 2020 overturned the favorable rulings issued by the tax commissions of first and second instance in 2010 and 2011.

The provision includes the ICI/IMU due in 2020 and not yet paid pending the outcome of the entire dispute with regard to penalties and interest, which the Court of Cassation did not mention in its ruling.

Since 2021, due to the new land registry classification in accordance with current law, whose cadastral income has not been adjusted by the tax authorities, the company has paid the IMU due on the real estate complex in Fusina.

The application for benefits filed by the municipality of Venice, where the properties are located and which was the recipient of ICI/IMU from 2008 to 2019, should be decided by the summer of 2023 and will free up a significant amount of this provision as concerns interest and penalties.

25. Retirement benefit obligations

The following table shows the changes in the retirement benefit obligations at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
present value of the obligations at beginning of period	23,652	25,438
present value of the obligations at the acquisition date	-131	272
present value of the obligations for assets held for sale or discontinued operations		
curtailment effect		
cost related to current service	265	406
interest cost	607	21
benefits paid	-1,807	-2,443
actuarial (gain)/ loss on the obligations	-2,143	-41
present value of the obligations at end of period	20,443	23,652

In accordance with IAS 19, the retirement benefit obligations accrued by the parent company and the largest Group companies up to December 31, 2006 are considered a defined benefit obligation where the liability is measured with actuarial methods.

The obligation accrued since January 1, 2007 is included in the category of defined contribution plans, both in the case of the option for supplementary pension plans and of assignment to the Treasury fund at the Italian Social Security Institute (INPS). The accounting treatment of this post-employment benefit was thus assimilated to that in place for other types of contribution payments.

According to the current version of IAS 19, actuarial gains and losses are recognized directly in other comprehensive income among *other components*, and in a specific equity reserve (net of tax).

The main assumptions used to determine the present value of retirement benefit obligations are presented below:

	2022	2021
discount rate at beginning of year	3.44% – 3.94%	0.32% - 0.82%
expected salary increase rate	3% - 4.5%	3% - 4.5%
expected employee turnover rate	7.85%	6.34%
expected average remaining working lives of employees	11	12

In preparing the retirement benefit obligations at December 31, 2022 and updating the technical bases, the appointed independent actuary took into account the Group's information available from 2003 to the present. The rate curve chosen is the Europe Corporate AA+, AA, AA- BVAL Yield Curve-EUR. The curve values were updated to December 31, 2022.

Compared to the amounts at December 31, 2021, all the durations decreased, and an analysis of the actuarial losses shows that the most significant component is the change in financial assumptions, as a result of the updated discount rates at the measurement date.

26. Payables due to shareholders

The following table shows the information on the amounts due to shareholders at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022 due within 12 months	Dec. 31, 2022 due after 12 months	Dec. 31, 2021 due within 12 months	Dec. 31, 2021 due after 12 months
payables due to the Municipality of Venice	63,484	3,771	61,012	3,850
payables due to municipalities with ownership exceeding 10%				
payables due to municipalities with ownership below 10%	32,382	4,988	22,177	5,526
total payables due to shareholders	95,866	8,759	83,189	9,376

Currently there are no shareholders whose ownership interest is more than 10% and less than 50%.

The total payables due to shareholder municipalities increased by € 12,060 thousand; the payables due within one year rose by € 12,677 thousand while those due after one year fell by € 617 thousand.

The change in the amount due within one year concerns mainly the increase in Tares and Tari collection payables.

Overall, the payables due to shareholders for the Tari and Tares taxes collected, including the Tefa provincial surcharge and other related items, and not yet reversed to the municipalities, amount to € 84,333 thousand (€ 54,715 thousand in 2021).

The payables due after 12 months refer primarily to operating leases.

The total payables deriving from the application of IFRS 16 (on Leases) is € 8,773 thousand (of which € 560 thousand short-term); the right-of-use asset underlying such liability refers largely to work carried out by municipalities for the integrated water service, for which the parent company, Veritas pays the municipalities for the installments on the loans taken out for that purpose. The useful life of the rights is estimated to end in 2038, when the integrated water service contract deliberated by the Venice Lagoon Basin Council is due to expire.

Details of the payables due to the Municipality of Venice are shown below:

(in thousands of euros)	Dec. 31, 2022 due within 12 months	Dec. 31, 2022 due after 12 months	Dec. 31, 2021 due within 12 months	Dec. 31, 2021 due after 12 months
payables due for cemetery concessions	815		777	
contract liabilities	1,215		3,266	
payables due under Law 206/95	3,642		3,070	
payables due for Tari/Tares collection	57,192		36,399	
operating lease payables	80	3,771	297	3,850
payables due under 2015 agreement			16,821	
sundry payables	540		382	
total payables due to the Municipality of Venice	63,484	3,771	61,012	3,850

The contract liabilities include the advances received by Veritas for the performance of work and supplies commissioned by the Municipality of Venice (€ 18,858 thousand) net of the work already carried out (€ 17,643 thousand), and they refer almost entirely to contracts for public works.

27. Payables due to associates

The following table shows the information on the payables due to associates at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022 due within 12 months	Dec. 31, 2022 due after 12 months	Dec. 31, 2021 due within 12 months	Dec. 31, 2021 due after 12 months
payables due to Sifa scpa	1,739		3,423	
payables due to Vier scarl	378		127	
payables due to OMD Srl	8,336		4,922	31
payables due to Veritas Conegliano Srl			153	2,191
total payables due to associates	10,453		8,625	2,222

The item shows a decrease of € 394 thousand attributable primarily to a lower amount due to Sifa (-€ 1,684 thousand), a higher amount due to OMD (+€ 3,383 thousand) and the reclassification of Veritas Conegliano as a subsidiary pursuant to the acquisition of a stake on July 27, 2022 (-€ 2,344 thousand).

28. Other non-current liabilities

The following table presents the information on the other current liabilities at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
security deposits from customers - IWS	10,947	11,830
advances on consumption	202	202
other non-current payables	16,832	9,901
total other non-current liabilities	27,981	21,933

This item includes the security deposits for utilities relating to the integrated water service and advances on consumption. Since June 1, 2014, security deposits for IWS utilities have accrued interest, pursuant to Aeegsi Resolution 86/2013/R/idr, which established the application of legal interest when the contract is terminated or when the deposit is returned.

The parent company entered among the other non-current payables € 14,845 thousand for grants for equipment requested or already received in advance regarding works yet to be carried out.

29. Trade payables

The following table presents the information on the trade payables at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
trade payables	109,822	97,942
payables due to related parties	4,741	2,377
payables due to entities controlled by the Municipality of Venice	183	2,053
total trade payables	114,746	102,372

The trade payables do not normally produce interest and are generally settled within 60 to 150 days.

The part of trade payables relating to invoices to be received by the parent company from third parties at December 31, 2022 amounts to € 25,197 thousand.

The trade payables deferred by way of the parent company's assignments to factoring companies (using the reverse factoring scheme) is € 1,471 thousand at December 31, 2022.

30. Derivative financial instruments

The following table presents the information on the derivative financial instruments at December 31, 2022 and December 31, 2021:

(in thousands of euros)

type	bank	note	residual notional amount	Dec. 31, 2022		Dec. 31, 2021	
				fair value assets	fair value liabilities	fair value assets	fair value liabilities
IRS	Unicredit 2017	a)	3,686	90			-56
IRO	Bpm 2017	b)	1,068	8		0	
IRO	Bpm 2019	c)	1,552	33		2	
IRS	Ubi 2019	d)	7,084	347			-23
IRS	Bper 2019	e)	4,132	148			-34
IRS	Bpm 2020	f)	15,000	971			-8
IRS	Bnl 2020	g)	15,000	969			-3
IRS	BNL 2021	h)	11,000	918		18	
IRS	BPM 2021	i)	4,500	376		6	
IRS	Unicredit 2021	l)	4,500	374		6	
IRS	Intesa San Paolo 2018	m)	0				-6
IRS	Intesa San Paolo 2020	n)	0			5	
total derivative financial instruments			67,522	4,234	0	37	-130

At December 31, 2022, the Group had:

- a. an interest rate swap (IRS) contract, entered into on June 1, 2017 by the parent company with Unicredit to hedge risks associated with changes in interest rates related to the € 15,000 thousand loan from Unicredit maturing on June 30, 2024. The contract provides for the payment of a premium on the residual notional amount, which at December 31, 2022 was € 3,686 thousand, equal to 0.29% per annum. The IRS has a positive fair value of € 90 thousand at December 31, 2022;
- b. an interest rate option (IRO) contract, entered into on May 30, 2017 by the parent company with Banco Bpm to hedge risks associated with changes in interest rates related to the € 10,000 thousand loan from Banco Bpm. The contract provided for the payment of a single upfront premium, calculated on the initial notional amount of the transaction (i.e. the disbursed amount of the loan) of € 125 thousand. The IRO has a market value of € 8 thousand at December 31, 2022. The underlying loan matures on June 30, 2023;
- c. an IRO contract entered into on May 8, 2019 by the parent company with Banco Bpm to hedge risks associated with changes in interest rates related to the € 5,000 thousand loan from Banco Bpm. The contract provided for the payment of a single up-front premium, calculated on the initial notional amount of the transaction (i.e. the disbursed amount of the loan) of € 27 thousand. The IRO has a market value of € 33 thousand at December 31, 2022. The underlying loan matures on June 30, 2024;
- d. an IRS contract, entered into on June 20, 2019 by the parent company with Ubi Banca to hedge risks associated with changes in interest rates related to the € 15,000 thousand loan maturing on June 19, 2025 from Ubi Banca. The contract provides for the payment of a premium on the residual notional amount, which at December 31, 2022 was € 7,084 thousand, equal to -0.12% per annum. The IRS has a positive fair value of € 347 thousand at December 31, 2022;
- e. an IRS contract, entered into on October 31, 2019 by the parent company with Bper to hedge risks associated with changes in interest rates related to the € 10,000 thousand loan from Bper Banca maturing on October 31, 2023. No premium is paid on this contract because the premium payment was set at the 5-year IRS rate on October 31, 2019, which was 0.00% then. The IRS has a positive fair value of € 148 thousand at December 31, 2022;
- f. an IRS contract, entered into on November 12, 2020 by the parent company with Banco Bpm to

hedge risks associated with changes in interest rates related to the € 20,000 thousand loan from Bpm (co-financed with Bnl for a total amount of € 40,000 thousand) maturing on September 30, 2026. The contract provides for the payment of a premium on the residual notional amount, which at December 31, 2022 was € 15,000 thousand, equal to -0.16% per annum. The IRS has a positive fair value of € 971 thousand at December 31, 2022;

- g. an IRS contract, entered into on November 12, 2020 by the parent company with Bnl to hedge risks associated with changes in interest rates related to the € 20,000 thousand loan from Bpm (co-financed with Bnl for a total amount of € 40,000 thousand) maturing on September 30, 2026. The contract provides for the payment of a premium on the residual notional amount, which at December 31, 2022 was € 15,000 thousand, equal to -0.16% per annum. The IRS has a positive fair value of € 969 thousand at December 31, 2022.
- h. an IRS contract, entered into on July 28, 2021 by Ecoprogetto (now Eco+Eco) with Banca Nazionale del Lavoro to hedge the risks associated with changes in interest rates related to the loan from the same bank for € 11,000 thousand (co-financed with Unicredit and Banco Bpm for a total amount of € 20,000 thousand) maturing on June 30, 2027. The IRS has a positive fair value of € 918 thousand at December 31, 2022;
- i. an IRS contract, entered into on July 28, 2021 by Ecoprogetto (now Eco+Eco) with Banco BPM to hedge risks associated with changes in interest rates related to the 4,500 thousand loan from the same bank (co-financed with Unicredit and Banco Bpm for a total amount of € 20,000 thousand) maturing on June 30, 2027. The IRS has a positive fair value of € 376 thousand at December 31, 2022;
- j. an IRS contract, entered into on July 28, 2021 by Ecoprogetto (now Eco+Eco) with Banca Unicredit to hedge risks related to interest rate fluctuations related to the 4,500 thousand loan from the same bank (co-financed with Banca nazionale del lavoro and Banco Bpm for a total amount of € 20,000 thousand) maturing on June 30, 2027. The IRS has a positive fair value of € 374 thousand at December 31, 2022.
- k. an IRS contract, entered into on November 28, 2018 by Depuracque servizi Srl with Intesa Sanpaolo to hedge risks associated with changes in interest rates related to the € 2,000 thousand loan taken out from Mediocredito Italiano on the same date. It was extinguished early together with the underlying loan.
- l. an IRS contract, entered into on May 29, 2020 by Rive Srl with Intesa Sanpaolo to hedge risks associated with changes in interest rates related to the € 6,200 thousand loan taken out from Intesa San Paolo on the same date. It was extinguished early.

After verifying the qualification of the derivative instruments described in points f), g), h), i) and j) above as interest rate hedges, hedge accounting was used for them, so a positive reserve of € 2,720 thousand (€ 1,482 thousand for the parent company), equal to the fair value net of tax, was recognized in equity.

31. Other current liabilities

The following table presents the information on the other current liabilities at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
advances from customers	2,617	1,816
payables due to employees	13,984	14,818
payables due to social security institutions	8,139	7,708
payables due for surcharges and excise duties	2,396	3,483
payables due to revenue agency for IRPEF withholding tax	5,132	4,853
payables due to revenue agency for VAT	1,268	309
accrued expenses and deferred income	929	372
other payables	5,380	4,633
total other current liabilities	39,845	37,992

The payables due to employees refer to unused vacation time and leaves of absence at the reporting dates, as well as performance bonuses, which the Group usually pays in August of the subsequent year. The payables include the related contributions.

The surtaxes and excise duties payable are due to the Metropolitan City of Venice and the Province of Treviso for collecting the provincial surtax (Tefa) on waste management rates (Tia1, Tia2, Tares and Tarip); they concern the parent company and Asvo SpA.

The other payables include duplicate amounts received to be returned by the parent company in an amount of € 1,418 thousand.

32. Current tax liabilities

The following table presents the information on the current tax liabilities at December 31, 2022 and December 31, 2021:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
corporate income tax (IRES)	4	23
regional business tax (IRAP)	573	10
other taxes payable	114	156
total current tax liabilities	691	189

The amount of IRES and IRAP due corresponds to the difference, if positive, between the taxes due for the year and the taxes paid in advance.

With respect to the IRES due, note that the parent company and some subsidiaries participate in national tax consolidation.

For the parent company, this year only the IRAP difference is positive; like last year, the IRES difference is negative, so it is recognized as a current tax asset.

33. Revenues from sales and services

(in thousands of euros)	2022	2021
revenue from water and sewerage rates	134,948	121,084
revenue from waste management rates	36,086	36,446
revenue from institutional services	169,723	168,670
revenue from services rendered to third parties	119,501	97,128
revenue from the sale of scrap and finished products	12,311	11,050
revenue from contract work	8,731	7,292
change in inventories of work in progress	-975	1,954
contingent gains and unsubstantiated losses	1,127	300
total revenues from sales and services	481,452	443,924

The revenues from sales and services amounted to € 481,452 thousand, up by € 37,528 thousand from the previous year.

Water rate revenue amounted to € 134,948 thousand, up by € 13,864 thousand from the previous year.

Such revenues relate to services rendered in the 36 municipalities of the metropolitan area of Venice and the province of Treviso, within the Venice Lagoon area.

The 2022 water rate was applied, based on the guaranteed revenue constraint ("Vrg") decided upon by the Basin Council on November 14, 2022, then approved with amendments by Arera on December 13, 2022, which provided for a 7% increase from the 2021 rate.

The revenue from water rates regarding bills to be issued at December 31, 2022 is € 15,112 thousand, as calculated by the parent company based on the estimated consumption.

With the adjustment of revenues to the 2022 revenue constraint, the parent company also had to account for positive adjustments of € 8,169 thousand.

Positive adjustments of € 2,719 thousand were recognized in addition to the amount calculated in previous years.

The revenue from waste management rates, € 36,086 thousand, refers to the parent company's use of the punctual Tarip rate; it has fallen by € 360 thousand from the previous year.

The 2022 revenue from institutional services is € 169,723 thousand, up by € 1,053 thousand from 2021.

The latter revenue includes municipal waste management fees for municipalities. Thus, the revenue from the waste management service (sum of rate and municipal fees) is € 205,810 thousand, up by € 394 thousand from the previous year.

The increase is attributable primarily to the 3% rate increase from that of 2021, recognized in the 2022 financial plans for the parent company with the Basin Council's approval of the 2022-2025 financial plan.

The Mtr-2 rate method is in effect for the waste management rates and fees for the 2022-2025 regulatory period.

Details of the revenue from services rendered to third parties are provided below:

(in thousands of euros)	2022	2021
revenue from services and work on green spaces	6	14
revenue from supply chain consortia (Conai)		243
rental revenue	1,839	1,915
revenue from sewage and wastewater and effluent treatment	14,280	12,671
revenue from waste disposal service	8,217	6,268
revenue from disposal of sorted waste	30,853	24,126
revenue from cleaning and waste management services	615	54
consulting revenue	4,066	4,123
revenue from third-party plant management	26,502	19,716
revenue from land reclamation	1,389	1,333
revenue from cemetery services	5,469	5,487
revenue from water service maintenance and connections	1,274	1,247
revenue from heat management	6,763	4,672
revenue from electricity sales	2,516	752
other revenue from services rendered to third parties	15,452	14,308
revenue reversals to shareholders		
undryminor revenue	260	199
total revenues from services rendered to third parties	119,501	97,128

These revenues rose by € 22,373 thousand.

The main changes include the increases in revenue from waste disposal (+€ 1,949 thousand) and from sorted waste (+€ 6,727 thousand), plant management for third parties (+€ 6,786 thousand), heat management (+€ 2,091 thousand) and the sale of electricity (+€ 1,764 thousand).

34. Other income

(in thousands of euros)	2022	2021
lease and concession income	917	1,017
gains from asset disposals	182	311
sundry reimbursements and expense charges	1,897	1,881
compensation for damages	438	1,629
seconded personnel	213	160
contingent gains and unsubstantiated losses	4,042	1,273
sundry income	2,686	3,158
grants for operating expenses	9,861	1,605
asset appreciation		229
total other income	20,236	11,263

Other income rose by € 8,973 thousand from the previous year.

The increase regards mainly grants for operating expenses, referring mainly to the tax credits of € 5,731 thousand for electricity, tax credits of € 632 thousand for natural gas, water regulatory bonuses of € 990 thousand and municipal grants of € 930 thousand for the Chioggia landfill.

The lease and concession income refers to leased parts of buildings (recognized under service concession arrangements) that generate revenue of € 833 thousand for Veritas and leased buildings (recognized as property, plant and equipment) that generate revenue from third parties of € 27 thousand for the parent company, € 39 thousand for Eco+Eco Srl, and € 18 thousand for Metalrecycling Srl (see Note 2.3 on leases).

35. Raw and ancillary materials and consumables used

(in thousands of euros)	2022	2021
drinking water	48	20
purchases of other materials	14,520	11,026
fuel and lubricants	11,944	9,344
consumables and materials for routine maintenance and repair	14,219	12,027
Reagents	11,856	8,361
capitalized costs of raw and ancillary material and consumables used	-2,453	-2,943
change in inventories of raw materials, consumables and goods	-1,556	-395
inventory impairment provision		155
total raw and ancillary materials and consumables used	48,578	37,595

Thee costs for raw materials and consumables increased by € 10,983 thousand from the prior year.

The most significant changes regarded increases in subsidiaries' purchases of other materials (+€ 3,494 thousand), reagents (+€ 3,495 thousand), fuel and lubricants (+€ 2,600 thousand) and consumables and materials for routine maintenance and repair (+€ 2,192 thousand), attributable to the surge in procurement prices in the period.

36. Costs of services

(in thousands of euros)	2022	2021
engineering work and maintenance	36,786	31,294
industrial services	13,709	11,454
utilities	46,162	28,465
operational services	54,216	54,943
general services	26,255	24,027
company boards	760	782
adjustment to additional services of previous years	396	564
services capitalized	-5,694	-3,223
accruals for services	2,024	1,745
total costs of services	174,614	150,051

The service costs rose by € 24,563 thousand from the previous year.

The increase regards mainly utilities (+€ 17,697 thousand) and engineering work and maintenance (+€ 5,492 thousand).

Engineering work and maintenance refer to routine maintenance on the corporate assets and the activities of the engineering division, which is prevalently involved in the construction of water and sewerage systems; the parent company's costs rose by € 2,292 thousand and subsidiary Eco+Eco's costs rose by € 3,540 thousand.

The utility costs amount to € 46,162 thousand (including € 41,285 of the parent company), up by € 17,697 thousand from the previous year.

The most significant item concerns the procurement of electricity for € 40,963 thousand (€ 36,942 thousand for the parent company). Such cost rose by a substantial € 16,190 thousand from that of 2021 (€ 14,525 thousand for the parent company) due particularly to the general increases in raw material and electricity prices over the entire year resulting from the global economic effects of the Russo-Ukrainian conflict.

In Veritas, the total electricity consumption decreased by 3.34% compared with 2021 due largely to the smaller capacity of the purifiers and less use of the lifting stations due to the drought, whereas there was a further surge in the cost of power and extreme price volatility caused by the Russo-Ukrainian conflict and the resulting global energy crisis, which raised the average unit price by 70.48% and the company's total expenditure by 64.79%.

Government energy subsidies in the form of tax credits amounted to € 5,731 thousand, so the increase in electricity expenditure net of such subsidies is 42.2% for the year.

Among the operational services, the parent company's costs for sludge disposal rose by € 1,425 thousand.

The company boards include the remuneration of directors, statutory auditors and members of supervisory bodies.

Under the parent company's policy, any assignments of Veritas Board of Director members to subsidiaries are not remunerated. Therefore, the total remuneration of the Veritas Board of Director members, € 178 thousand, also corresponds to the full amount of the remuneration paid by the Group to Veritas directors.

The accruals for services (€ 2,024 thousand) refer to Veritas' accrual for the year regarding the costs to be incurred in the next year for the disposal of sludge produced this year from wastewater treatment.

37. Costs of use of third-party-assets

(in thousands of euros)	2022	2021
rental payments	3,024	3,201
rent and lease payments	364	169
concession and water diversion payments	1,770	1,777
payments for infrastructure use and supply of services	795	898
contingent losses	174	-562
capitalized costs for use of third-party assets	-8	-10
total costs for use of third-party assets	6,119	5,473

The total costs for use of third-party assets rose by € 646 thousand from those of the previous year.

Such costs relate to payments on operating leases outside the scope of application of IFRS 16, which has been in effect since 2019.

38. Personnel costs

(in thousands of euros)	2022	2021
wages and salaries	128,198	127,230
social security costs	40,974	41,280
retirement benefit obligations	8,182	8,137
agent termination and similar benefits	15	46
other costs and contingent losses	6,465	1,383
capitalized personnel costs	-4,641	-5,281
total personnel costs	179,193	172,795

The total personnel costs rose by € 6,398 thousand; the increase is attributable primarily to the parent company's non-recurring provision of € 6,500 thousand for future expenses under the intergenerational turnover agreement pursuant to Article 41 of Legislative Decree 148/2015 reached with the unions on December 7, 2022, entailing early retirement for around 120 employees in 2023 and consequent workforce efficiency procedures.

Net of that provision and of capitalized costs, the personnel costs are € 177,334 thousand, substantially in line with those of the prior year, with an average work force also essentially consistent over the two years.

The following table shows the annual changes in the Group's work force by category, expressed as the average number of full-time equivalents (FTE).

average annual headcount (FTE)	2022	2021	change
upper management	21.84	22.31	-0.47
lower management	84.52	85.00	-0.48
white-collar	1,022.79	1,020.10	2.69
blue-collar	2,251.91	2,271.16	-19.25
total average headcount	3,381.06	3,398.57	-17.51

39. Other operating expenses

The other operating expenses amount to € 18,664 thousand, up by € 3,162 thousand compared with the previous year.

(in thousands of euros)	2022	2021
allocations to provision for doubtful debts	5,955	901
allocations for interest on arrears	13	13
allocations to provisions for risks and charges	4,121	6,996
membership dues and other fees	809	765
Ato operating expenses	610	603
special landfill tax	257	255
local taxes and duties	3,235	3,662
credit losses	1,675	928
losses on asset disposals	793	665
sundry minor costs	698	587
ordinary contingent losses	424	110
finances and damage compensation	74	17
total other operating expenses	18,664	15,502

The allocations to the provision for doubtful debts rose by € 5,054 thousand due to the updating of the default indices, to take into account likely scenarios of economic crisis.

The € 2,875 thousand decrease in the allocations to the provision for risks and charges is attributable largely to reduced allocations to the provision for pending disputes (€ -6,114 thousand), offset in part by greater allocations for the closure costs of the parent company's Jesolo landfill (€ +2,817 thousand).

Veritas' credit losses were € 1,647 thousand, including € 995 thousand referring to write-offs of receivables due from the Municipality of Venice during the annual reconciliation of receivables and payables, whereas the remaining € 652 thousand refers to the write-offs of Tia1 receivables, for which the default risk is borne by the municipalities due to the tax nature of the rate. Therefore, again this year an equal amount was recognized in the revenues for the waste management service (from rates and municipal fees), since such loss will be covered in the waste management financial plans.

40. Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses amount to € 55,029 thousand, versus € 50,528 thousand in 2021, an increase of € 4,501 thousand.

Depreciation was reduced by the annual amount of equipment grants, just as the value of property, plant and equipment was reduced by the amount of grants issued.

(in thousands of euros)	2022	2021
amortization of intangible assets	5,867	4,804
amortization of service concession arrangements	20,936	19,781
depreciation of property, plant and equipment	35,961	33,749
depreciation of investment property	3	3
other writedowns of fixed assets		-11
impairment losses on intangible assets		6
impairment losses on property, plant and equipment	637	123
grants for equipment	-8,375	-7,927
total amortization, depreciation and impairment losses	55,029	50,528

41. Share of results of equity-accounted investees

The share of the results of the investees accounted for using the equity method is -€ 7 thousand, and takes into account the profit or loss for the year, impairment losses and revaluations of associates, recognized during the year.

It comprises +€ 3 thousand referring to the investment in Sifa and -€ 10 thousand for the investment in Mia Energia (formerly Nuova Energia).

42. Financial costs and income

Financial costs

The financial costs amount to € 17,944 thousand, versus € 14,921 thousand in 2021, an increase of € 3,023 thousand.

The financial costs include € 2,138 thousand for discounting payables to present value, specifically retirement benefit obligations (€ 607 thousand), financial payables due to parent companies (€ 12 thousand), the provision for post-closure care of the Jesolo landfill of Alisea, now in Veritas (€ 1,189 thousand), the Centa Taglio landfill operated by Asvo (€ 369 thousand) and financial payables due to other related parties (-€ 39 thousand).

The main changes refer to the financial costs with banks relating to long-term loans (+€ 2,402 thousand) and financial costs on bond notes (-€ 846 thousand).

The financial costs to service financial debt (with banks), factoring transactions and on the use of other financial instruments (including bond notes) amount to € 14,145 thousand, with an average interest rate of around 5.82% (4.73% in 2021).

They are summarized below:

(in thousands of euros)	2022	2021
financial costs from parent companies	32	32
interest expense with banks on bank account overdrafts	131	198
financial costs with banks on long-term loans	8,848	6,446
financial costs on leases and rentals	611	779
financial costs on derivative instruments	193	363
financial costs from other discounting	1,519	975
financial costs from discounting retirement benefit obligations	607	21
financial costs on factoring transactions	435	309
interest expense on bonds	4,526	5,372
other financial costs	1,042	426
total financial costs	17,944	14,921

Financial income

The financial income amounts to € 3,906 thousand, versus € 4,234 thousand in the previous year, a decrease of € 328 thousand.

It is summarized below:

(in thousands of euros)	2022	2021
interest income from banks	227	90
fair value measurement of derivatives	1,205	234
interest on arrears and extensions	106	92
financial income from associates	374	527
financial income from other discounting	1,427	48
sundry financial income	1	
income from equity investments (revaluations)		60
other financial income	566	3,183
total financial income	3,906	4,234

The other financial income includes the recognition of the parent company's contingent gain of € 519 thousand deriving from the reduction of the risk provision for payment of interest on arrears concerning the dispute before the Court of Auditors for the collection of the fee due under Law 206/95 and cemetery concessions pursuant to the filing of the appeal rulings.

The financial income from associates (€ 112 thousand from Sifa) includes income from the discounting of financial receivables originating in 2016 pursuant to the signing of new shareholder agreements by Sifa's shareholders, revised on the basis of the repayment plan guaranteed by the associate.

43. Income tax for the year

The following table presents the reconciliation of the corporate income tax (IRES) applicable to the Group's pre-tax profit, using the current tax rate, with that obtained using the effective tax rate, for the period ended December 31, 2022:

(in thousands of euros)	2022	2021
ordinary tax rate applicable	24.00%	24.00%
profit before tax	5,169	13,395
theoretical tax expense (income)	1,241	3,215
adjustments to previous year's tax	-22	-244
writedowns and adjustments of deferred tax assets recognized in the previous year	-217	21
recognition of deferred tax assets on temporary differences arising in previous years		31
derecognition of deferred tax liabilities arising in previous years as a result of tax realignment		-1,845
non-recognition of deferred tax assets on tax losses of the year on temporary differences	112	103
non-recognition of deferred tax assets/liabilities of the year on temporary differences	8	-90
tax consolidation (income)/expense		
exemption of tax misalignments, net of substitute tax	-2	84
tax-exempt income / tax relief	-2,766	-1,783
non-deductible costs	206	634
other permanent differences	-24	-32
effective IRES tax	-1,464	94
effective tax rate	-28.32%	0.7%
current taxes	1,725	842
deferred tax liabilities/(assets)	-3,166	-505
tax from prior periods	-23	-559
substitute tax	0	316
tax consolidation (income)/expense		
effective IRES tax expense (income)	-1,464	94
current local tax (IRAP)	1,643	1,089
local deferred tax liabilities/(assets)	-345	-260
local tax from prior periods	2	-122
effective local tax expense/(income)	1,300	707
total effective tax expense /(income)	-164	801

This year there is effective IRES tax income attributable essentially to the € 6,363 thousand permanent decrease in pre-tax profit (thus with a tax saving € 1,527 thousand) thanks to the tax exemption of the government subsidies received in the form of tax credits to combat the rise in electricity and natural gas prices.

The parent company's and Asvo SpA's current IRAP rate is 4.2% (specific rate for enterprises holding concessions to operate public services and works).

The deferred tax assets and liabilities for the two years ended December 31, 2022 and 2021 are as follows:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
provision for doubtful debts	4,536	4,960
provision for risks and charges	11,679	8,457
inventory impairment provision	184	148
fixed asset impairment	476	279
maintenance costs	269	407
statutory depreciation difference	9,037	9,588
other costs deductible in subsequent periods	516	538
fair value adjustment of derivative instruments		3
business combination bonuses	157	235
reversal of gains on intra-Group transactions		
sundry minor items	1,422	12
interest expense deductible in the future (based on GOM)	36	48
tax losses	132	131
actuarial gains/losses on retirement benefit obligations	382	701
total deferred tax assets	28,826	25,506

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
tax-exempt interest on arrears	216	254
tax-exempt revenues	1,680	1,776
landfill asset		
other temporary changes	-407	-586
gain allocated to fixed assets	987	1,217
leased assets	1,113	1,523
separation of land		
fair value adjustment of derivative instruments	866	
total deferred tax liabilities	4,455	4,184

Veritas SpA and most of its subsidiaries have jointly exercised the Group taxation option as per the Italian income tax regulations (*Testo unico delle imposte sui redditi*). The transactions and reciprocal responsibilities and obligations between the consolidating company and the other participating companies are defined in a specific tax consolidation agreement.

The deferred tax assets of € 28,826 thousand include € 7,664 thousand referring to amounts of property, plant and equipment and service concession arrangements written down by the company within the scope of the extraordinary transaction carried out in 2017 with Asi spa (such deductible temporary difference is absorbed over the fiscally relevant depreciation and amortization plans of the assets written down), € 4,536 thousand regarding the provision for doubtful debts and € 11,679 thousand regarding the provisions for risks and charges.

Due to the nature of the items that originate deferred tax assets, particularly deductible temporary differences, their recovery in subsequent reporting periods is ensured by the future recovery (extinction) of the carrying amount of the assets (liabilities) recognized in the statement of financial position and to which they refer.

44. Commitments and risks

Commitments from operating leases - the Group as lessor

The Group has stipulated commercial leases to enhance the equipment and buildings located in the area. These non-cancelable leases have a residual term of 5 to 10 years. All the leases include a clause allowing the rent to be revalued annually at market conditions.

The rent income received by the Group in the year was € 917 thousand (€ 1,017 thousand in 2021). It refers to leased parts of buildings (recognized in service concession arrangements) that generate income of € 833 thousand for Veritas and leased buildings (recognized in property, plant and equipment) that generate revenues of € 27 thousand for the parent company, € 39 thousand for Eco+Eco Srl, and € 18 thousand for Metalrecycling Srl (see Note 2.3 on leases).

The future payments regarding non-cancelable operating leases in effect at December 31, 2022 and 2021 are as follows:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
due within one year	412	320
due after one year and within five years	1,378	971
due after 5 years	294	401
total commitments for property rentals and leases	2,084	1,692

Commitments for water investments - FONI and FNI component

Under the Mti-3 method, the components to calculate the rate include the New Investments Fund (FONI). Article 14.1 of Arera Resolution 580/2019/R/idr (Mti-3) states that the operator is required to allocate a specified portion of the guaranteed revenue constraint (Vrg) exclusively to the realization of new investments identified as priorities.

The amount of the New Investments Fund related to the 2022 revenue constraint is € 19.9 million.

Veritas' directors decided to account for this allocation by setting up a specific equity reserve.

It was proposed to allocate part of the 2022 profit to a non-distributable reserve based on the FONI constraint.

The directors consider reasonable to expect that the water investments for which the allocation constraint applies will be realized; therefore, the 2022 FONI reserve set aside at the time of approval of these financial statements may be available next year.

Also in this year, the FONI amount includes the FNI component – the advance payment for financing new investments - equal to € 4,205 thousand generated by the positioning of Veritas within the 6th quadrant of the regulatory scheme matrix due mainly to the high investment requirements planned in the 2020-2023 Regulatory Plan and the continued perimeter and process expansion.

With respect to the investment requirements, the expected acquisition of the Savec Est water infrastructure of Veneto Acque has led to a significant increase in the amount of investments for the four-year period of 2020 to 2023, to the extent that the ratio to the current Regulatory Asset Base (RAB) has exceeded the threshold (parameter w, equal to 0.50) for which the operator is given the FNI component.

The FNI activation undergoes an assessment every four years when completed. If the investments realized are so low that the ratio falls below the threshold, the operator is required to return the components given as advance payments and redesign the rates to meet the new annual increase constraint.

Considering that the actual amount of the water investments for the years 2020, 2021 and 2022

meets in substance the target set for the three-year period, currently no elements of particular uncertainty are deemed to exist for the achievement of the four-year targets that would require an allocation to a risk provision for the possible return of the component at the end of the four years.

Penalties for investments in the water sector

Under Article 34 of the Mti-3 rate method (Arera Resolution No. 580/2019/R/idr of December 27, 2019, in effect for the 2020-2023 rates), an integrated water service operator that has failed to carry out at least 95% of the investments set out in the 2016-2019 investment plan must allocate a penalty to a specific provision restricted to the financing of investment expenditure.

Considering that in the four-year period Veritas carried out 74% of the planned investments (expenditure of € 93.6 million, with grants of € 20.6 million received), in 2019 and 2020 a total amount of € 1,002 thousand was allocated to the provision for risks and charges to account for the penalty resulting from the failure to realize the investments planned for the four-year period of 2016-2019.

With respect to any penalties for not making the investments planned for 2020, 2021 and 2022, although the investments for such periods are substantially being made according to plan, Arera's extension of the regulation to future periods is currently pending, as is any updating of the calculation methodology by the authority, so no estimate of the penalty was deemed possible at the reporting date.

Moreover, Council of State decision n. 3982 dated April 19, 2023 found the regulation included in the Mti-3 rate method (issued in December 2019) to be unlawful because its application is effectively retroactive (for the failure to make the investments planned for the four-year period of 2016-2019) and thus violate the general principle of non-retroactivity of punitive measures.

Guarantees issued

The Veritas Group provided the following sureties at December 31, 2022 and 2021 for the parties listed below:

(in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
Metropolitan City of Venice / Province of Venice	20,606	25,415
Ministry of the Environment	22,279	13,511
Port Authority - former Water Authority - Venice and Chioggia Harbormasters' Office	1,792	1,877
banks and insurance companies	4,478	5,856
Italian Revenue Agency / Customs Agency		8
local health authorities (ULSS)	117	430
other entities	2,214	572
other local authorities	78	78
total	51,564	47,747

The parent company, in turn, issued sureties to subsidiaries totaling € 41,589 thousand and to shareholder municipalities totaling € 211 thousand.

Eco-ricicli Veritas Srl (now Eco+Eco) issued a € 264 thousand surety bond to subsidiary Metalrecycling Venice Srl to guarantee the obligations deriving from the single temporary authorization for waste and artifact recovery activities (issued by the Municipality of Venice).

Depuracque servizi Srl issued a surety of € 810 thousand jointly with the other quotaholder of subsidiary Rive Srl to Veritas SpA.

The parent company submitted comfort letters to subsidiaries for € 22,650 thousand and to asso-

ciates for € 500 thousand.

Below is a breakdown of the entities to which the parent company issued guarantees:

sureties given (in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
Eco+Eco srl (former Ecoprogetto Venezia srl)	35,389	21,789
Eco-ricicli Veritas srl (merged into Eco+Eco srl)		13,600
Rive Srl	6,200	
sureties issued to subsidiaries	41,589	35,389
Municipality of Venice	32	2
other municipalities	179	179
sureties issued to parent companies	211	181
Port Authority - former Water Authority	1,792	1,800
Metropolitan City of Venice	5,358	6,259
Ministry of the Environment	654	1,653
local health authorities (Ulss)	117	117
Ecopiave Srl		
other entities	1,904	320
sureties issued to others	9,825	10,149
total sureties issued	51,625	45,719

comfort letters (in thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
Eco+Eco srl (former Ecoprogetto Venezia srl)	12,250	3,100
Eco-ricicli Veritas srl (merged into Eco+Eco srl)		11,150
Rive Srl	6,200	6,200
Metalrecycling Venice Srl	1,200	1,200
Veritas Conegliano Srl	3,000	
comfort letters issued to subsidiaries	22,650	21,650
Sifa		10,000
Veritas Conegliano Srl		3,000
Ecolegno C.M. Venezia srl	500	
comfort letters issued to associates	500	13,000
total comfort letters issued	23,150	34,650

In addition, the Group assigned tangible assets to secure mortgage loans.

See Note 22 for more details.

Other risks and uncertainties

The Report on Operations provides this information.

45. Transactions with related parties

Subsidiaries

The consolidated financial statements include the financial statements of Veritas SpA and of the subsidiaries listed in the table hereunder:

<i>consolidated companies</i>	<i>registered office</i>	<i>share capital</i>	<i>Dec. 31, 2022</i>	<i>Dec. 31, 2021</i>
			<i>Group's share</i>	
Veritas SpA (parent company)	Venice	145,397,150		
Eco+Eco Srl	Venice	65,361,166	61.29%	56.68%
Asvo SpA	Portogruaro (Venice)	18,969,650	55.75%	55.75%
Consorzio Bonifica Fusina <i>in liquidation</i>	Venice	100,000	82.05%	82.05%
Metalrecycling Venice Srl	Venice	1,800,000	61.29%	82.34%
Depuracque Servizi Srl	Salzano (Venice)	223,080	100.00%	100.00%
Lecher Ricerche e Analisi Srl	Salzano (Venice)	46,800	100.00%	100.00%
Rive Srl	Venice	100,000	70.00%	70.00%
Ecodistretto Trasporti scarl	Venice	20,000	49.03%	0.00%
Veritas Conegliano Srl	Venice	100,000	72.50%	48.80%
<i>absorbed by Eco+Eco Srl (former Ecoprogetto)</i>				
Eco-ricicli Veritas Srl	Venice	7,000,000	0.00%	82.34%
<i>deconsolidated at December 31, 2022</i>				
Mia Energia Srl (formerly Nuova Energia Srl)	Venice	110,000	30.03%	100.00%

The changes of the year are described in section 2.1.1 of the Report on Operations.

Shareholders

The following table presents the total amounts of the transactions conducted with shareholders during the year:

	2022	2021	2022	2021	2022	2021	2022	2021
(in thousands of euros)	Income from shareholder municipalities		expenses with shareholder municipalities		receivables due from shareholder municipalities		payables due to shareholder municipalities	
Municipality of Annone Veneto	432	415			210	179	15	2
Municipality of Campagna Lupia	55	98	5	4	47	13		
Municipality of Campolongo Maggiore	95	147	17	18	80	11	165	182
Municipality of Camponogara	105	173	10	10	84	17		
Municipality of Caorle	6,770	6,655	60	59	2,807	2,812	1,504	1,320
Municipality of Cavallino Treporti	5,241	4,746	16	14	903	587	4,357	1,963
Municipality of Cavarzere	1,939	1,921			370	104		
Municipality of Ceggia	611	600	22	23	22	50	1,769	1,751
Municipality of Cessalto	6	6	3	2	1	1		
Municipality of Chioggia	18,626	17,763	81	72	1,774	-377	7,091	2,466
Municipality of Cinto di Caomaggiore	345	320			160	131	12	1
Municipality of Cona	1	356			24	225		
Municipality of Concordia Sagittaria	1,355	1,271	3		540	430	53	
Municipality of Dolo	169	294	36	25	89	139	12	12
Municipality of Heraclea	2,454	2,426	39	41	161	733	1,981	2,362
Municipality of Fiesso d'Artico	241	297	6	6	139	240		
Municipality of Fossalta di Piave	29	37	5	4	44	38	63	61
Municipality of Fossalta di Portogruaro	1,169	1,048			460	365	32	3
Municipality of Fossò	72	102	15	16	65	7	197	197
Municipality of Gruaro	309	319			128	107	13	
Municipality of Jesolo	11,552	10,975	548	622	-121	-202	5,199	3,466
Municipality of Marcon	301	218	1	1	40	144	-1	
Municipality of Martellago	2,487	2,592	9	8	256	293	1,860	1,660
Municipality of Meolo	10	99	1	1	2	29	10	9
Municipality of Mira	343	632	174	14	315	185	224	64
Municipality of Mirano	462	737	47	47	321	579	38	32
Municipality of Mogliano Veneto	4,237	3,716	25	27	1,041	1,270	2,324	2,283
Municipality of Morgano	5	5	3	2	1	1		
Municipality of Musile di Piave	1,242	1,218	22	23	-45	-24	1,293	1,443
Municipality of Noale	2,017	2,023	161	11	82	320	881	233
Municipality of Noventa di Piave	786	804	11	11	55	93	581	401
Municipality of Pianiga	2,025	1,590	15	15	882	534	1,093	723
Municipality of Portogruaro	3,744	3,818	11	2	1,681	1,541	57	6
Municipality of Pramaggiore	499	474			209	165	24	
Municipality of Preganziol	102	82	11	11	14	18		
Municipality of Quarto d'Altino	38	204	1	1	24	72	12	6
Municipality of Quinto di Treviso	10	11	4	4				
Municipality of Salzano	88	180	16	36	67	162	213	250
Municipality of San Donà di Piave	669	1,340	79	83	335	215	1,202	1,240
Municipality of San Michele al Tagliamento	6,971	6,524	9	9	2,484	2,087	243	11
Municipality of San Stino di Livenza	1,672	1,592	1	1	770	646	44	130
Municipality of Santa Maria di Sala	121	110	106	105	112	91	-4	91
Municipality of Scorzè	2,197	2,309	13	13	487	343	689	1,506
Municipality of Spinea	3,303	3,301	58	59	155	-356	3,329	3,166
Municipality of Strà	31	93	38	39	36	80		34
Municipality of Teglio Veneto	209	194			86	71	19	132
Municipality of Torre di Mosto	553	546	10	10	81	134	764	498
Municipality of Venice	112,816	106,710	40	1,455	11,415	13,852	84,898	79,209
Municipality of Vigonovo	91	167	6	16	82	151	20	20
Municipality of Zenson di Piave	14	4	2	2	8	2	38	37
Municipality of Zero Branco	4	4	3	3	-1			
total nominal amounts	198,623	191,266	1,743	2,925	28,982	28,308	122,314	106,970
provision for doubtful debts					-1,310	-81		
discounting of receivables/payables							-46	-58
advances on work recognized as a reduction of contract work in progress							-17,643	-14,347
total	198,623	191,266	1,743	2,925	27,672	28,227	104,625	92,565

The provision for doubtful debts of € 1,310 thousand comprises € 77 thousand regarding the request to recognize certain transactions attributable for the shareholders to “off-balance-sheet payables”, i.e. receivables due for services duly performed by the company, but for which the shareholder municipality had not, for various reasons, expected the expense, and € 1,233 thousand for writedowns of receivables for waste management rate adjustments regarding amounts over the 2020-2022 Cap (see Notes 14 and 15 for additional details).

The payables due to shareholders are shown net of the € 46 thousand discounting amount.

The service contracts with shareholders refer primarily to waste management activities for municipalities that have applied the Tari tax since 2014.

Excluded are the municipalities of Fiesso d’Artico, Stra, Salzano, Camponogara, Campolongo Maggiore, Campagna Lupia, Fossò, Vigonovo, Santa Maria di Sala, Marcon, Mira, Fossalta di Piave, San Donà di Piave, Meolo, Quarto d’Altino, Dolo, Mirano and Cona for which, as these municipalities decided to apply the punctual rate instead of the tax, Veritas has been able to invoice the end users directly.

In the case of the Municipality of Venice, the following services are charged in addition to waste management services:

- cemeteries
- markets;
- elevated walkways for high tide.

Cemetery services are charged to other municipalities (Spinea, Mirano, Martellago, Portogruaro, San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro e Cinto Caomaggiore, Dolo); and for the municipalities of Chioggia, Fossalta di Portogruaro and Fiesso d’Artico, public lighting services are provided. In 2019 the Municipality of Portogruaro, and in 2020 the municipalities of San Michele al Tagliamento and Fossalta di Portogruaro, assigned public green area maintenance services.

Terms and conditions of transactions with shareholders

The service contracts between Veritas and the Municipality of Venice for the services referred to above are duly invoiced on a monthly or quarterly basis and payment is made on average within 30 to 60 days from the invoice issuance date.

Work related to the construction of new sewerage systems and the related extraordinary maintenance (engineering work) and work regarding public works are charged to the Municipality of Venice on the basis of a service contract providing for the recognition of a percentage of the work linked to the engineering and management costs and the coverage of general expenses.

Loans from shareholders

In previous years, loans were taken out from the Cassa Depositi e Prestiti by municipalities in the Mirano area to finance investments in the water sector, for which Veritas provides repayment.

Also recognized is a payable transferred with the Asi merger relating to a funding advance from the Municipality of Jesolo, also for investments in the water sector.

The total amount of the loans amounted to € 642 thousand at December 31, 2022.

Associates

The Group has the following investments in associates:

			Dec. 31, 2022	Dec. 31, 2021
companies accounted for using the equity method	Registered office	share capital	Group's share	
associates				
Sifa scpa	Mestre (Venice)	30,000,000	33.17%	33.17%
Ecolegno CM Venezia Srl	Venice	50,000	24.52%	32.94%
OMD Srl	Nervesa della Battaglia (Treviso)	160,000	15.32%	20.59%
Mia Energia Srl (former Nuova Energia Srl)	Venice	110,000	30.03%	100.00%
Vier scarl	Venice	100,000	49.00%	49.00%
<i>reclassified companies</i>				
Veritas Conegliano Srl	Venice	100,000	72.50%	48.80%

The following table presents the total amounts of the transactions conducted with associates during the year:

	2022	2021	2022	2021	2022	2021	2022	2021
(in thousands of euros)	income from associates		expenses with associates		receivables due from associates		payables due to associates	
Insula SpA		758		114				
Sifa scpa	19,483	12,935	4,685	5,466	13,666	13,395	1,739	3,423
Veritas Conegliano Srl	166	17	108	320		28		2,344
Vier scarl	476	271	991	157	3,644	4,503	378	127
OMD Srl	561	807	7,761	2,795	633	33	8,336	4,953
Ecolegno CM Venezia Srl								
Mia Energia Srl (former Nuova Energia Srl)								
total	20,686	14,788	13,545	8,852	17,943	17,959	10,453	10,847

The transactions with associates are carried out on an arm's length basis.

Sifa Scpa conducted trade transactions primarily with the parent company, and they refer to the operation of industrial wastewater treatment plants on behalf of the parent company, whereas the purchases from Sifa relate mainly to the storage and disposal of wastewater and leachate produced by Veritas plants.

Other related parties

The other related parties include companies and entities controlled by the Municipality of Venice and by other local entities that are shareholders of Veritas, companies in which the Group holds, even indirectly, an interest of less than 20%, and investees with minority shareholders that are significant for the Group.

The following table presents the total amounts of the transactions with other related parties during the year:

(in thousands of euros)	2022	2021	2022	2021	2022	2021	2022	2021
	income from related parties		expenses with related parties		receivables due from related parties		payables due to related parties	
Actv SpA	250	187			97	61		
Ames SpA	103	82			23	36	7	7
Avm SpA	57	62	119	124	17	19	68	114
La Biennale Foundation	60	46			16	16		
Forest and large parks institution		39				6		
Casino di Venezia Gaming SpA	80	58			48	43	34	34
Cmv SpA								
La Fenice Theater Foundation	6	6			1	1		
Insula SpA	81	88	22	9	275	2,569	12	1,876
Ive Srl		11				-1		
Marco Polo system Geie <i>in liquidation</i>					92	92		
Venice City Museums Foundation	26	34			7	5		
Tourist accommodation centers	4	7				1		
Venezia Spiagge SpA	84	72			15	3		
Consorzio Urban <i>in liquidation</i>	40	37			239	190		
Vega Scarl	128	161	54	59	70	86	59	
Vela SpA	603	574	5	3	850	541	4	
Venis SpA	7	7	62	54	2	2	56	25
Venice Lagoon Basin Council			610	603		30	312	302
Bioman SpA	1,767	913	4,943	4,163	824	1,157	5,299	2,094
Caorle City of Sport Foundation	25				3			
Venice Environment Basin Council			151	165			299	149
Eraclea Patrimonio e Servizi Srl	1							
Jesolo Patrimonio Srl	10	21	13	15	4	10	400	537
Jtaca Srl	1				1			
Jesolo tourism SpA	452				369			
Azienda Speciale Don Moschetta	38	3		48	5	1		16
Sibelco Green Solutions Srl	4,065	2,489	1,234	2,135	602	724	147	527
Serimi Srl	46				-1			
Sst SpA	105	107	-20		94	275		66
Viveracqua Scarl	112	77	175	176	96	28	35	74
other related parties		244				62		
total	8,151	5,325	7,368	7,554	3,749	5,957	6,732	5,821

The trade transactions of Bioman spa and Sibelco Green Solutions refer to Eco+Eco srl and the parent company.

The payables due to related parties include operating lease payables of € 3 thousand due to Avm, € 54 thousand due to Vega, € 421 thousand due to Bioman, € 349 thousand due to Jesolo Patrimonio by the parent company, and € 618 thousand due to Bioman by Eco+Eco.

Financial payables of € 362 thousand due by the subsidiary to Bioman, originating from the operation of the biogas plant in Fusina, are also included.

The transactions with the other related parties are carried out on an arm's length basis.

Remuneration of the Board of Directors and the Board of Statutory Auditors

In accordance with Legislative Decree 127/1991, Article 38, the remuneration of directors and statutory auditors for the performance of their functions, including in other companies within the consolidation perimeter, is disclosed hereunder. It is corporate policy not to pay additional remuneration for activities performed by parent company directors in other subsidiaries. Therefore, the total remuneration corresponds to the amount recognized in Veritas SpA.

(in thousands of euros)	2022	2021
Board of Directors		
remuneration for the role	155	187
other fees		
other benefits	23	
total costs for services	178	187
Board of Statutory Auditors		
remuneration for the role	89	89
other fees		
other benefits		
total costs for services	89	89

Independent auditor fees for audit and non-audit services

The 2022 fees for the auditing firm for services rendered to the parent company and its subsidiaries are presented below:

(in thousands of euros)	2022	2021
fees paid to the auditing firm for the parent company's audit services	114	116
fees paid to the auditing firm for the subsidiaries' audit services	107	112
fees paid to other firms in the parent company's auditing firm's network for the foreign affiliates' audit services	–	–
fees paid for audit services	221	228

(in thousands of euros)	2022	2021
fees paid to the auditing firm for audit services involving the issuance of a certificate of the parent company	45	128
fees paid to the auditing firm for audit services involving the issuance of a certificate of subsidiaries	6	5
fees paid to other firms in the parent company's auditing firm's network for audit services involving the issuance of a certificate	–	–
fees paid for audit services involving the issuance of a certificate	51	133

46. Financial risk management: objectives and policies

The main financial instruments used by the Group, other than derivatives, include bank loans, finance and operating leases, direct and indirect factoring contracts, sight and short-term bank deposits, and the issuance of bond notes. The main purpose of these instruments is to fund the Group's operations and investments. The Group has other types of financial instruments deriving from its operating activities, such as trade payables and receivables.

The Group does not enter into speculative derivative transactions; it enters only into derivative transactions solely to purely hedge (with swaps) or to limit (with caps) the risk of interest rate changes.

The Group's policy is, and has been in previous periods, not to trade financial instruments.

The main risks generated by the Group's financial instruments are interest rate risk, liquidity risk and credit risk. Price risk is not significant because the Group operates mostly in regulated industries, where rates are regulated and subject to approval by the relevant authorities. The parent company's Board of Directors reviews and approves the policies to manage these risks, which are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates mainly to the long-term bonds with variable interest rates assumed by the Group.

The Group's policy is to manage the finance cost by using a combination of fixed and variable borrowing rates.

It also excludes entering into derivative instruments for non-hedging purposes.

With changes in interest rates being reasonably possible, and with all other variables being constant, the indebtedness exposes the Group's pre-tax profit to some sensitivity.

Credit risk

The Group considers its credit risk to be normal and consistent with the industry dynamics.

Billing receivables (for Veritas SpA and Asvo SpA) are by nature fragmented because they are spread over a very large number of users and have modest average amounts.

The default rate for waste management receivables (Tarip), historically around 5% (a rate considered low on average for the sector), continues to be nearly 2.5% higher than that due to the economic crisis triggered first by Covid and now by the general price increases stemming from the Russo-Ukrainian war.

Note that after the transition to Tari, credit risk in its past and present (and therefore future) dimension is substantially borne by the municipalities, either directly or indirectly, and must be taken into account in the final formulation of the rate.

In the water sector, where default rates are historically lower (around 1% of sales), growth of approximately 0.5% is evident for the aforementioned reasons.

The credit risk relating to the Group's other financial assets, which include cash and cash equivalents, other equity investments, loan certificates and derivative instruments, presents a maximum risk in the event of counterparty default equal to the carrying amount of those assets.

Liquidity risk

The Group controls liquidity risk using a liquidity deployment planning tool. This instrument considers the maturity of the financial investments, financial assets (trade receivables and other financial assets), and the expected cash flows from operating activities.

The liquidity risk is the risk that the financial resources available may be insufficient for meeting the short-term obligations, consisting of approximately € 50.1 million on bank loans and € 0.75 million on bonds due by December 31, 2023, and for handling any decreases in working capital.

The Group's objective is to maintain a balance between funding and flexibility by using overdrafts, loans and, to a lesser extent, finance and operating leases and factoring transactions. Under the Group's policy, no more than 20% of long-term loans are due within 12 months. At December 31, 2022, less than 20% of the long-term financial debt was due to mature within one year.

At December 31, 2022, the Group had undrawn credit lines of € 115.2 million, versus € 111.3 million at December 31, 2021.

The concept remains that the operational investment plans, which continue mainly in the water sector (and thus concern the parent company), are counterbalanced by the rate adjustments set by the water authorities.

Work continues on implementing an urban sanitation rate/tax on a fee/quantitative basis to achieve greater fairness for users and more control for municipalities, which also has the effect of returning direct finance to the Group, thus eliminating strains on working capital and increases in financial costs.

In 2022, the Group obtained additional long-term bank loans totaling € 40 million (all of the parent company).

Also in 2022, short-term financial management tools were used, mainly direct factoring contracts, whereas indirect (reverse) factoring contracts continued to be used marginally. No new finance leases were stipulated in the period.

The 2022 changes in the financial payables are presented below. Additional information is provided in the statement of cash flows.

(in thousands of euros)	Dec. 31, 2021	bond note redemption	loans taken out	loan re- payments	increase/ decrease in payables	other non-financial changes	leases en- tered into	leases ended	Dec. 31, 2022
financial liabilities	236,888		40,000	-48,231		5,739			234,396
financial liabilities from other lenders	34,302		5,028	-3,615	-2,823	-253	2,124	-739	34,024
financial payables due to associates	2,167				-173	-2,240	418		172
loan payables due to shareholders	10,277			-122	-1,117	375	2		9,415
other financial payables (derivatives)	131					-131			
convertible and non-convertible bonds	136,090	-750				90			135,430
total financing	419,855	-750	45,028	-51,968	-4,113	3,580	2,544	-739	413,437

Capital management

The Group's net debt is € 265,008 thousand at December 31, 2022 (€ 257,983 thousand at December 31, 2021), and its total equity is € 320,059 thousand at the same date.

The ratio of net financial debt to equity, which indicates the balance between external and internal funding, was 0.83 at December 31, 2022 (the same as at December 31, 2021).

Fair value measurement and hierarchy

A comparison between the carrying amount and the fair value by the category of all the Group's recognized financial instruments did not reveal any significant differences, other than those presented, to be reported.

All the financial instruments recognized at fair value can be classified into the three categories defined below:

- *level 1* quoted market prices
- *level 2* valuation techniques (based on observable market data);
- *level 3* valuation techniques (not based on observable market data).

The fair value of the derivatives and loans was calculated by discounting the expected cash flows using the prevailing interest rates. The fair value of bonds and other financial assets was calculated using market interest rates.

At December 31, 2022, the Group held the following financial instruments measured at fair value:

(in thousands of euros)

type	bank	Dec. 31, 2022		Dec. 31, 2021		
		residual notional amount	fair value assets	fair value liabilities	fair value assets	fair value liabilities
IRS	Unicredit 2017	3,686	90			-56
Interest rate	Bpm 2017	1,068	8		0	
Interest rate	Bpm 2019	1,552	33		2	
IRS	Ubi 2019	7,084	347			-23
IRS	Bper 2019	4,132	148			-34
IRS	Bpm 2020	15,000	971			-8
IRS	Bnl 2020	15,000	969			-3
IRS	Bnl 2021	11,000	918		18	
IRS	Bpm 2021	4,500	376		6	
IRS	Unicredit 2021	4,500	374		6	
IRS	Intesa San Paolo 2018	0				-6
IRS	Intesa San Paolo 2020	0			5	
total derivative financial instruments		67,522	4,234	0	37	-130

All the assets and liabilities measured at fair value at December 31, 2022 are classifiable within level 2 of the fair value hierarchy.

47. Segment information

IFRS 8 requires the Group to report information about its operating segments to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The standard defines an operating segment as:

- "a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available".

The amount of each segment item reported must correspond to the assessment provided to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The Group has identified the following segments as the basis for segment reporting:

- *Waste management segment*: includes street sweeping, integrated waste cycle activities (waste collection, sorting and recycling, transport, treatment, disposal and brokering), operation of industrial plants and post-closure care of landfills.
- *Integrated water service segment*: includes activities related to the drinking water cycle for domestic and industrial use (water withdrawal, treatment, pumping and distribution), activities related to the domestic and industrial wastewater cycle (collection, treatment, suction), engineering activities, laboratory analysis and operation of the Venice fire protection systems.
- *Other services segment*: includes collective urban services (cemetery services, crematorium operation, special services for Venice, waste management, environmental remediation) and energy-related activities (photovoltaic systems, district heating, heat management, public lighting, biogas-biomethane-hydromethane).

These segments include activities both regulated and not regulated by Arera.

Waste management segment

sweeping
integrated waste cycle
 collection
 sorting and recycling
 transport
 treatment
 disposal
 brokerage
 industrial plant operation
 landfill post-closure care

Integrated water service segment

drinking water cycle for domestic and industrial use
 withdrawal
 treatment
 lifting
 distribution
domestic and industrial wastewater cycle
 collection
 treatment
 suction
engineering laboratories
fire protection system in Venice

Other services segment

cemetery services
 crematorium operation
 special services for Venice
 toilet management
 environmental reclamation
 photovoltaic systems
 district heating
 heat management
 public lighting
 biogas-biomethane-hydromethane
 public works

The Group's directors monitor separately the results achieved by the business units in order to make decisions about allocating resources and assessing the performance.

The performance of the segments is assessed for statement of profit or loss purposes on the basis of the operating income (EBIT) and for statement of financial position purposes based on the fixed assets.

Structural expenses and income are reversed to the individual business units according to performance indicators (drivers), consistent with unbundling regulations.

The fixed assets of the corporate segment regard structural assets.

Intra-segment revenues are eliminated on consolidation and are reflected in the "adjustments and eliminations" column hereunder.

2022 results by operating segment (in thousands of euros)	waste manage- ment segment	integrated water segment	other segments	adjust- ments and elimina- tions	total
revenues from sales and services	253,804	193,896	28,403	0	476,103
other income	2,855	6,709	2,775	0	12,339
intra-segment revenues	69	214	0	-283	0
corporate revenues	7,437	5,053	756	0	13,246
total net revenues	264,165	205,872	31,934	-283	501,688
raw and ancillary materials and consumables used	-28,724	-17,306	-1,032	0	-47,062
costs for services	-67,126	-70,596	-19,340	0	-157,062
costs of use of third-party assets	-2,280	-3,095	-310	0	-5,685
personnel costs	-98,646	-34,897	-8,763	0	-142,306
other operating expenses	-3,930	-2,239	650	0	-5,519
intra-segment operating expenses	-188	-95	0	283	0
corporate operating expenses	-33,682	-27,058	-4,673	0	-65,413
total operating expenses	-234,576	-155,286	-33,468	283	-423,047
EBITDA	29,589	50,586	-1,534	0	78,641
allocations to provisions for risks and charges	-3,571	-491	-1	0	-4,063
allocations to provisions for corporate risks and charges	-28	-23	-7	0	-58
amortization, depreciation and impairment losses	-26,448	-18,474	-1,572	0	-46,494
corporate amortization, depreciation and impairment losses	-3,594	-3,928	-1,013	0	-8,535
operating income/(loss)	-4,052	27,670	-4,127	0	19,491

2021 results by operating segment (in thousands of euros)	waste manage- ment segment	integrated water segment	other seg- ments	adjust- ments and elimina- tions	total
revenues from sales and services	246,998	168,298	24,586	0	439,882
other income	1,305	2,130	735	0	4,170
intra-segment revenues	92	203	0	-295	0
corporate revenues	5,929	4,353	853	0	11,135
total net revenues	254,324	174,984	26,174	-295	455,187
raw and ancillary materials and consumables used	-23,676	-12,425	-733	0	-36,834
costs for services	-66,605	-52,569	-14,635	0	-133,809
costs of use of third-party assets	-1,691	-2,556	-352	0	-4,599
personnel costs	-98,634	-34,463	-8,608	0	-141,705
other operating expenses	-3,267	-2,223	-185	0	-5,675
intra-segment operating expenses	-92	-203	0	295	0
corporate operating expenses	-27,578	-20,249	-3,971	0	-51,798
total operating expenses	-221,543	-124,688	-28,484	295	-374,420
EBITDA	32,781	50,296	-2,310	0	80,767
allocations to provisions for risks and charges	-374	-438	0	0	-812
allocations to provisions for corporate risks and charges	-3,292	-2,417	-475	0	-6,184
amortization, depreciation and impairment losses	-23,939	-17,361	-1,739	0	-43,039
corporate amortization, depreciation and impairment losses	-3,988	-2,928	-573	0	-7,489
operating income/(loss)	1,188	27,152	-5,097	0	23,243

fixed assets by operating segment at Dec. 31, 2022 (in thousands of euros)	waste man- agement segment	integrated water seg- ment	other segments	corporate	total
intangible assets	11,752	6,257	808	3,015	21,832
service concession arrangements	0	283,417	0	6	283,423
goodwill	20,435	788	0	0	21,223
property, plant and equipment	243,570	30,849	20,859	70,654	365,932
investment property	-27	2,507	0	14	2,494
Total fixed assets	275,730	323,818	21,667	73,689	694,904

fixed assets by operating segment at Dec. 31, 2021 (in thousands of euros)	waste man- agement segment	integrated water seg- ment	other segments	corporate	total
intangible assets	12,368	4,839	830	3,448	21,485
service concession arrangements	0	268,029	0	6	268,035
goodwill	20,435	788	0	0	21,223
property, plant and equipment	221,565	29,406	24,017	68,102	343,090
investment property	15,888	2,507	0	17	18,412
total fixed assets	270,256	305,569	24,847	71,573	672,245

48. Disclosure obligations under Law 124/2017, Art. 1 para. 125

In accordance with Law 124, Article 1, para. 125 *et seq.* of August 4, 2017, as amended by Decree Law 34/2019, Article 35, the public funding received by the Group in 2022 is set out below.

Public funding means grants, subsidies, benefits, contributions or aid, whether in the form of money or in-kind, that are not general and do not have a nature of consideration, remuneration or compensation (Law 124/2017, Article 1, para. 125).

In accordance with the regulations, the list excludes funding of less than € 10,000 per beneficiary and general grants, or benefits received on the basis of an aid scheme that rewards all parties that meet specific conditions set out by law.

grantor	Group beneficiary	type of public funding	amount in euros	present in National State Aid Register
Fondimpresa	Veritas SpA	Training plan to strengthen and expand the skills of Veritas SpA employees	235,420	
Fondirigenti	Veritas SpA	Fdire 27565 Training Plan <i>Redesigning Veritas' organization with smart working</i>	10,000	X
Fondirigenti	Veritas SpA	Training process to develop and expand managerial skills	8,500	
Veneto Region	Veritas SpA	Completion of separate sewerage system in the Malcontenta - Ca' Sabbioni area and via Padana	393,340	
Avepa - Veneto Payments Agency	Veritas SpA	Ecopolymers project	19,204	X
Veneto Region	Veritas SpA	Construction of new water and sewage pipelines to connect the Valli hamlet to the Ca' Bianca hamlet in the Municipality of Chioggia	110,611	
Venice Lagoon Basin Council	Veritas SpA	Work to protect drinking water in Venice Lagoon	90,000	
Municipality of Venice	Veritas SpA	Completion of pumping station and storage tank in via Torino	2,660,964	
Municipality of Venice	Veritas SpA	Work under the Development and Cohesion Plan (former 2014-2020 FSC Environment Operational Plan) for improvements to the Integrated Water Service	8,870,000	
Municipality of Venice	Veritas SpA	Pact for the Development of the City of Venice - Fusina integrated project Connection of Lido and Fusina wastewater treatment plants	185,488	
Municipality of Venice	Veritas SpA	Pact for the Development of the City of Venice - Fusina integrated project Screening system for biological wastewater plant output - PIF input	57,356	
CSEA – Energy and Environmental Services Fund	Veritas SpA	Research contract for <i>Model of Saving Electric Energy from Organic Waste Fermentation</i> Project (Molsen)	189,604	X
CSEA – Energy and Environmental Services	Veritas SpA	2018-2019 RQTI award as per Arera Resolution n. 183/2022	990,150	
Municipality of Chioggia	Veritas SpA	2021-2022 grant for Ca' Rossa landfill	929,516	
GSE – Gestore dei servizi energetici spa	Veritas SpA	Photovoltaic systems grant	175,891	
Conai	Depuracque Servizi Veritas SpA	Conai co-financing for local communication projects under Anci Conai Framework Agreement	39,351	
European Space Agency	Veritas SpA	Esa-Estec Project <i>Purple-B: Hydrogen production from immobilized cells in photo-bioreactors</i>	27,000	
Iww Beratungs GmbH / Rea European Research Executive Agency	Veritas SpA	Horizon EU-B-WaterSmart project	257,037	
Consorzio Erp Italia	Depuracque Servizi Veritas SpA	Subsidies for 2022 WEEE management	10,419	
Consorzio Ecoped	Veritas SpA	Subsidies for 2022 WEEE management	25,837	
Erion Wee	Veritas SpA	Subsidies for 2022 WEEE management	65,090	
Erion Wee	Veritas SpA	Subsidies for 2020 WEEE management	22,114	
Consorzio Cdc Raee	Veritas SpA	WEEE grant on VT026 motorboat - 2021 notice	40,000	
Customs and Monopolies Agency	Veritas SpA	Subsidy on haulage diesel excise duty	346,605	
Customs and Monopolies Agency	Depuracque Servizi Veritas SpA	Subsidy on diesel excise duty	207,602	
Customs and Monopolies Agency	Metalrecycling Eco+Eco Veritas SpA	2022 haulier tax credit	156,563	X
Municipality of Musile di Piave	Depuracque Servizi Veritas SpA	Upgrading of S. Marco sub-basin sewage system - Musile	19,200	
MISE – Ministry of Economic Development	Eco+Eco Veritas SpA	Special rates for energy-intensive businesses as per MISE Decree Article 3 of Regulations on the right to employment for persons with disabilities	39,138	
Veneto Region	Rive		3,840	X
total for Veritas Group			16,185,840	

49. Subsequent events

Equity investments and acquisitions

Nuova energia's General Meeting of March 6, 2023 voted to cover the loss shown in the 2022 draft financial statements through direct contributions by the shareholders, completed by March 31, 2023. The General Meeting also approved a capital increase of up to € 1 million by issuing new stock to be optioned to the existing shareholders.

On that occasion, the shareholders voted to pay for 25% of the approved share capital in cash, with the option to call up the remainder by December 31, 2023.

For now, the increase has been subscribed only by the controlling shareholder, Finam, and not by Eco+Eco. This means that Eco+Eco's share currently amounts to 1.89% and the company is no longer an associate of the Veritas Group.

The General Meeting also approved a name change to Mia energia Srl.

The Group is preparing to merge Asvo's waste management services into Veritas, which should take place starting in January 2024.

Concerning the reorganization of logistics on behalf of Veritas Srl under an assignment granted as part of a project financing arrangement, in late 2022 Eco+Eco sold to Metalrecycling its entire transport business, consisting of 116 industrial vehicles (owned, leased or rented), 56 employees, and sundry equipment. The sale took effect on January 1, 2023.

In 2023, Lecher Ricerche e Analisi will finalize the 100% acquisition of Euroscavi Srl based in Badia Polesine (RO), a construction company with environmentally friendly technology for trenchless pipe lining. A down payment of € 500 thousand was paid in 2022 upon signature of the preliminary agreement.

Veritas is currently negotiating the purchase of the controlling interest held in Sifa Scarl by a private shareholder, which would mean acquiring control of the company and consolidating it within the Group.

Economic scenario

Economic conditions in 2023 remain uncertain due to the ongoing war in Ukraine and the resulting increase in raw material prices, which have driven up inflation and therefore interest rates, although in the early months of the year electricity, gas, and fuel prices have decreased with respect to the surges experienced in 2022.

The Group is monitoring the impact of these scenarios, particularly on the measurement of the expected credit losses, with a special focus on billing.

Water rate regulation

2023 is the last of the four years regulated by the Mti-3 method.

Arera will be devising a new water rate method for the next four years, which is hoped to include an update to the method for calculating Opex, whose current values still essentially refer to 2011 data that is only adjusted for planned inflation.

In decision n. 3982 of April 19, 2023, the Council of State disallowed the penalties provided for in the Mti-3 method for the failure to realize investments planned for the period 2016-2019, on the grounds that such penalties are retroactive and therefore violate the general principle of non-retroactivity of punitive measures.

Waste rate regulation

The municipalities are in the process of approving the Tari or Tarip packages for 2023, with reference to the 2023 FP approved by the Venice Environment Basin Council in April 2022 when it approved the FPs for the four-year period of 2022 to 2025.

Meanwhile, in May 2023 Arera definitively approved the 2022-2025 FPs for the municipalities of Jesolo, Martellago, and Spinea.

Regarding the application of the Mtr-2 method to treatment and disposal plants, and in particular to the Jesolo landfill, in February and March 2023 the Lombardy Regional Administrative Court issued some rulings ordering the cancellation of some parts of Resolution 363/2021 (Mtr-2). This has suspended the approval process of the new rates by the competent authorities.

Business management

In January 2023 Rive made its final € 4,478 thousand payment on a mortgage loan and contracted a new, long-term unsecured bank loan of € 7.6 million to finance investments; with the approval of the revised business plan, a € 400 thousand loan from the shareholders was also approved.

In March 2023, due to the many operational and safety problems encountered with the management of the mixed scrap metal treatment plant assigned to the subcontractor Ecosorting Venice Srl, Metalrecycling sent a proposal for termination of the contract by mutual consent. The consequent insourcing of the process will improve the quality (a critical issue under the subcontracting arrangement) and minimize the risk of downtime caused by safety measures not being entirely under the subsidiary's control.

Government regulations

Technical specifications are currently being defined as concerns electronic invoicing in public procurement (Legislative Decree 148/2018). As a contracting authority pursuant to the Public Procurement Code (Legislative Decree 50/2016), Veritas will have to receive electronic invoices in the specific format required under European procurement law, just like any other public entity.

2.7 Auditors' reports

2.7.1 Board of Statutory Auditors' Report

Board of Statutory Auditors' Report on the 2022 separate financial statements (Civil Code Article 2429, par. 2)

To the shareholders of Veritas SpA
(Veneziana energia risorse idriche territorio ambiente servizi):

With this report, drawn up under Italian Civil Code Article 2429, paragraph, we describe the supervisory and control activities performed in fulfillment of our duties during the year ended December 31, 2022.

Supervisory activities

During the year ended December 31, 2022, our supervisory activities were informed by the legal provisions and the rules of conduct for statutory auditors recommended by the Italian Accounting Profession (CNDCEC). The CNDCEC rules of conduct that we followed are those updated on January 12, 2021 for unlisted companies and, where deemed more effective, those of April 2018 for listed companies.

Supervision of compliance with the law and the by-laws

In the performance of our supervisory and control activities, we periodically obtained from the directors, including by attending Board of Directors meetings, information on the activities carried out and on the most significant economic, financial and equity transactions resolved upon and implemented by Veritas and its subsidiaries, ensuring that all such actions were in compliance with the law and the company's by-laws and were not manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's net worth. Except in specific cases, meetings of the Board of Directors are scheduled at the start of the year and take place once per month.

We regularly attend as guests the Coordination and Control Committee meetings of Veritas SpA's shareholder municipalities, formed in accordance with Article 40 of the by-laws to ensure joint influence with the shareholders' meeting over the company's strategic objectives and significant decisions.

Concerning the annual financial statements as a whole, we find that the Board of Directors, in its Report on Operations and the Notes to the Financial Statements, has provided adequate disclosures on related-party transactions, in consideration of the regulations in force. To the best of our knowledge, there were no intra-Group or related-party transactions in 2022 in conflict with the Company's interests.

During the year, Veritas did not carry out any atypical or unusual transactions with third parties or related parties (including Group companies). As far as major transactions of an ordinary nature are concerned, they are all within the limits of prudence, do not conflict with General Meeting resolutions, and are not detrimental to the Company's assets.

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

We have:

- as within our competence, monitored the adequacy of the company's organizational structure, including by gathering information from the directors and department heads;
- interacted with senior management to review, among other things, the internal control system and the measures in place to monitor material risks.

The internal control and risk management system consists of the set of rules, procedures and organizational structures designed to facilitate sound, correct management that is in line with company objectives through an adequate system of identification, measurement, management and monitoring of the principal risks.

Such a system involves several parties, who interact in a coordinated manner according to their responsibilities:

- I. guidance and strategic supervision, by the Board of Directors and General Manager;
- II. mitigation and management, by the executive team;
- III. monitoring and support to the Board of Directors for risk control and management, by the head of Internal Audit (HIA);
- IV. oversight, by the Board of Statutory Auditors.

Although it does not have a separate Internal Audit department, the company has developed a process of formalizing and structuring concretely functioning activities that act as and implement the internal control system, headed by the Board of Directors and the General Manager.

Overseeing internal audit activities and therefore acting as the head of Internal Audit (HIA) is the person in charge of Quality, Environment and Safety, who reports directly to the General Manager. The HIA is also in charge of Team 231 – in this role reporting directly to the Board of Directors – with specific responsibilities for the prevention and control of the crimes contemplated by Legislative Decree 231/2001.

The HIA has an appropriate level of independence and enough resources to perform the role. The position entails supporting the directors and statutory auditors in verifying the adequacy, full operation, and effective functioning of the internal control and risk management system and proposing corrective measures in the event of anomalies, irregularities and/or deficiencies.

The HIA reports to the Board of Directors and the General Manager, who are in charge of the internal control and risk management system, as well as to the Board of Statutory Auditors.

The HIA's main function is to judge the efficacy of the internal control and risk management system as concerns the effective achievement of the objectives assigned to individual departments, in light of qualitative/quantitative risk factors and the likelihood that they will influence the achievement of said objectives.

This is ensured through:

- the performance of assurance services (audit and complementary activities, known as 3rd level checks, aimed at assessing governance, risk management and control processes) and consulting;
- overseeing the implementation of improvement plans through continuous monitoring and specific follow-ups when the original issues are especially significant and complex.

The HIA performs the same function at subsidiaries without their own audit departments, acting in their interest and reporting to their respective bodies.

The internal control and risk management system also includes the "231 Organizational Model" aimed at preventing the commission of offenses for which the Company may be held liable under

Legislative Decree 231/2001. The Organizational Model provides for the appointment of a Compliance Committee with autonomous powers of initiative and control, which oversees the functioning and observance of the Model itself and makes recommendations for its revision.

The duties of the Compliance Committee are distinct from those of the Board of Statutory Auditors because of the number and complexity of the topics already covered by the statutory auditors and the specific nature of the Committee's tasks.

The risk management system also covers the Market Abuse Regulation on corporate disclosures and internal dealing, with particular reference to the handling of inside information.

This is relevant to Veritas as the issuer of the following financial instruments:

- the € 100 million bond issued first in 2014 and subsequently in December 2020, duration 7 years, listed on the Irish Stock Exchange;
- the € 15 million Viveracqua Hydrobond issued in 2014 by the former Asi, duration 20 years, listed on the ExtraMot Pro in Italy;
- the € 25 million bond issued in December 2021, duration 17 years (private placement for professional investors).

In conclusion, based on the activities performed and the information acquired by the HIA, we consider the internal control system, the risk management system, and the organizational structure to be proportionate to the Company's size and complexity and to the nature and manner of its pursuit of the corporate purpose. In addition, regarding the 2022 financial year, we find no significant shortcomings in the internal control system.

Supervision of the administrative-accounting system and the financial and non-financial reporting process

In our role as internal control and audit committee, we monitored the process and checked the effectiveness of the internal control and risk management systems as they concern financial reporting.

As recommended by standard of conduct n. Q.3.6, in order to monitor the production of financial information and ensure its integrity, correctness, reliability, and completeness, we met periodically with the Controller and department executives to exchange information on the administrative-accounting system and on its reliability to properly represent business events.

These meetings, during which we examined company documentation and reviewed the findings of the independent audit firm, highlighted no significant deficiencies in operational and control processes that might affect the opinion on the adequacy and effective application of the administrative and accounting procedures.

We also took note of the controls developed by the Controller's office with regard to the subsidiaries in the scope of consolidation, from which no critical issues emerged.

In periodic meetings, the audit firm Deloitte & Touche SpA did not report to us any critical situations that might affect the internal control system as concerns the administrative and accounting procedures, nor has it ever highlighted any irregularities or findings deemed inappropriate.

The Company has prepared a Non-Financial Statement (NFS) in compliance with Legislative Decree 254/2016.

The NFS is prepared as a stand-alone document on a consolidated basis; in light of the provisions of Article 3(7) of Legislative Decree 254/2016 and as recommended by standard of conduct n. Q.3.2, we have verified - also in light of the audit firm's findings in its report pursuant to Article 3(10) of Legislative Decree 254/2016, provided in advance to us and delivered yesterday to the Company - its completeness and compliance with regulations and with the preparation criteria described in the notes to the NFS without finding anything to mention in this report.

In the light of the above, therefore, there is no evidence to suggest that business was not conducted following the principles of fair administration, nor that the organizational structure, the internal control system, or the accounting-administrative system are not, as a whole, adequate for the company's needs and size.

Oversight activities pursuant to Legislative Decree 39/2010

In our role as internal control and audit committee, we oversaw the operations of the independent audit firm as required by Article 19 of Legislative Decree 39/2010.

As mentioned earlier, in accordance with Civil Code Article 2409 *septies* and as recommended by standard of conduct n. 5.3, we interacted during the year with the independent audit firm to exchange data and information concerning the activities performed in accordance with respective duties.

The independent auditors never informed us of any facts, circumstances, or irregularities that needed to be brought to our attention, and thus mentioned in this report.

Yesterday, the independent auditors issued their report pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) No. 537 of April 16, 2014, stating (as announced to us in advance) that the separate financial statements for the year ended December 31, 2022 are prepared clearly and give a true and fair view of the financial position, financial performance and cash flows of Veritas SpA for that year. That opinion is consistent with the Additional Report addressed to the Board of Statutory Auditors, in our role as internal control and audit committee, prepared in accordance with Article 11 of the EU Regulation.

In its main report, the independent auditors listed the "key audit matters" as the "recognition of revenue from the integrated water service – revenue accrued and not yet invoiced" and described the audit procedures carried out in that respect.

In the independent auditors' opinion, moreover, the Report on Operations is consistent with the separate financial statements for the year ended December 31, 2022.

As mentioned above, the independent auditors provided us with the Additional Report required by Article 11 of Regulation (EU) No. 537/2014, issued to the Board of Statutory Auditors in advance and provided yesterday to the company, which we will bring to the attention of the Board of Directors.

The Additional Report does not list any significant shortcomings in the internal control system concerning the financial reporting process worthy of being brought to the attention of those responsible for governance.

The Additional Report includes the statement of independence required by Article 6 of Regulation (EU) No. 537/2014, from which no circumstances emerged that might compromise the audit firm's independence or constitute grounds for incompatibility under the decree mentioned above.

In addition, we took note of the Transparency Report prepared by the audit firm and published on its website under Article 18 of Legislative Decree 39/2010.

The Company has established suitable controls regarding the fees paid to the audit firm.

In 2022, other than the audit of the separate financial statements, the consolidated financial statements, the NFS, and the financial statements of the subsidiaries, Deloitte & Touche SpA was given no additional audit-related assignments (which require prior authorization from the Board of Statutory Auditors), also considering the expanded range of ordinary services included in its assignment with respect to those carried out by EY SpA, whose assignment expired in 2022 with the approval of the 2021 financial statements.

Interactions with the Compliance Committee under Article 6(1)(b) of Legislative Decree 231/2001

In performing our duties we met with the Compliance Committee established under Legislative Decree 231/2001, with regard to reciprocal controls and in accordance with the standards of conduct for statutory auditors laid down by the Italian Accounting Profession.

No issues to be brought to the shareholders' attention emerged from this meeting.

Through the Compliance Committee's annual report issued on February 27, 2023 and brought to the attention of the directors and statutory auditors at the Board of Directors meeting of March 16, 2023, we acquired information on the Committee's activities pertinent to the "231 Organizational Model." These activities concerned the functioning of the Compliance Committee in coordination with the other control and management bodies, the planning and performance of supervisory activities, the management of complaints and conduct of investigations, and the adequacy assessment and updating of the Model.

In 2022, the Compliance Committee did not report to us any facts, circumstances, or shortcomings regarding the 231 Organizational Model, pursuant to Article 6 of its regulations.

In the light of what the Committee disclosed in its annual report and in the absence of any findings or shortcomings regarding the 231 Organizational Model, there is no evidence to suggest that the Model is incompatible with the Company's organizational structure, size, and complexity.

The activities of the Compliance Committee are documented in its annual report.

The Board of Statutory Auditors is unaware of any events or criticisms to be reported to the General Meeting.

In the course of our supervisory activities and based on the information obtained, no complaints were filed under Civil Code Article 2408, nor were there any findings of omissions, inappropriate conduct, limitations, exceptions, irregularities, or significant facts that would require mention in this report.

No opinions were issued during financial year 2022.

Separate financial statements

The draft financial statements for the year ended December 31, 2022, which the Board of Directors submits for your review and approval, have been prepared in accordance with IAS/IFRS.

As a public-interest entity (PIE) that has issued bonds listed on regulated markets, Veritas is required to prepare financial statements using international accounting standards in accordance with Legislative Decree 38/2005.

The draft financial statements are therefore made up of:

- I. a statement of financial position broken down into current and non-current assets and liabilities, based on whether they will be realized or settled as part of the normal operating cycle within or beyond 12 months from the end of the year;
- II. a statement of comprehensive income that classifies costs and revenue based on their nature, a method the directors deem more representative of the Company's business segment);
- III. a statement of cash flows prepared using the indirect method;
- IV. a statement of changes in equity;
- V. explanatory notes containing the information required by applicable regulations and inter-

national accounting standards, appropriately presented with respect to the format of the financial statements. The draft financial statements are accompanied by the Report on Operations, which describes the Company's situation, performance, and outlook and the significant events that have taken place during the year and after its closure.

This set of documents was made available to us during the Board of Directors meeting held on May 25, 2023.

Financial year 2022 closed with a profit, shown in the financial statements, which are consistent with the facts and the information that have come to our attention in the course of performing our supervisory duties and exercising our powers of inspection and control. We have no observations in this regard.

Since the Board of Statutory Auditors does not perform the legally mandated audit of the financial statements and therefore has no power of analytical control over their content, we have overseen the general approach given to them and their compliance with the law as regards their formation and structure. In this regard, we have no particular observations to report.

We have also verified that, to the best of our knowledge, the directors, in preparing the financial statements, have not departed from the relevant accounting policies.

As recommended by the standards of conduct for statutory auditors (standards 3.8 and Q.3.7), we have verified:

- the directors' compliance with the accounting standards when preparing the financial statements;
- the conformity of the statement of financial position, statement of profit or loss, statement of comprehensive income, cash flow statement, and statement of changes in equity with the provisions of IAS/IFRS;
- the correct indication in the notes to the financial statements of the measurement policies and their compliance with the law and the accounting standards;
- the consistency between the notes to the financial statements and the Report on Operations pursuant to Civil Code Articles 2427, 2427 *bis* and 2428;
- the completeness and clarity of the notes to the financial statements and the Report on Operations, in accordance with the principles of truth, fairness and clarity required by law. In particular, we confirm that the Report on Operations contains adequate information on the internal control system and risk management and that the information provided by the directors on related party transactions, inherent to and connected with the business purpose, is complete.

Consolidated financial statements

As required by law, the Board of Directors has prepared the consolidated financial statements of the Veritas Group at December 31, 2022, which are audited by Deloitte & Touche SpA. The scope of consolidation clearly indicated in the introduction to the Report on Operations has changed since the previous year, as a result of:

- the absorption of Eco-ricicli Veritas Srl by Ecoprogetto Srl (now called Eco+Eco Srl and 61.29% owned by Veritas);
- the deconsolidation of Mia energia Srl (formerly Mive Srl in liquidation, and subsequently Nuova energia Srl).

Concerning the consolidated financial statements, according to standards 3.9 and Q.3.8 of the standards of conduct for statutory auditors, our only role is to supervise compliance with the procedural rules on the preparation and layout of the financial statements and the Report on Operations; we have no obligation to issue a report or any formal opinion.

We have verified the composition of the Group and the shareholding relationships as defined by Civil Code Article 2359 and Article 26 of Legislative Decree 127/1991 and, within the organizational structure of the parent company, the existence of an efficient and operational unit responsible for transactions with subsidiaries and affiliates.

Yesterday, pursuant to Article 14 of Legislative Decree 39/2010, the independent auditors issued their audit report on the consolidated financial statements confirming, as announced to us in advance, that the consolidated financial statements for the year ended December 31, 2022 are presented clearly and provide a true and fair view of the Veritas Group's financial position, financial performance and cash flows for the year then ended. In the independent auditors' opinion, moreover, the Report on Operations is consistent with the consolidated financial statements for the year ended December 31, 2022.

In its report, the independent auditors listed the "key audit matters" as the "recognition of revenue from the integrated water service – revenue accrued and not yet invoiced" and described the audit procedures carried out in that respect.

The report also contains the declaration pursuant to Article 4 of the Consob Regulation concerning the Non-Financial Statement (NFS).

Conclusions

Taking into account the specific duties of the independent auditors in terms of auditing the accounts and verifying the reliability of the financial statements, and the unqualified opinion they have issued, the Board of Statutory Auditors has no comments to make at the General Meeting regarding the approval of the financial statements for the year ended December 31, 2022, accompanied by the Report on Operations, as presented by the Board of Directors, and therefore has no objections to the approval of the financial statements and the proposed allocation of net profit.

We have also reviewed the Group's consolidated financial statements for the year ended December 31, 2022 and have no comments in this regard.

The emergency phase of the Covid-19 pandemic gradually eased in 2022; the Company proved it was able to monitor and govern the inevitable impacts, ensuring essential services in an organizational context always ready to take prompt and effective measures to prevent the spread of the virus.

However, new emergencies arose during the year. Since February 2022, the economy of the European Union has been hit hard by the Russo-Ukrainian conflict. Energy prices, which had already begun to rise during the pandemic, shot up higher and triggered an inflationary spiral fed in part by supply chain disruptions for many raw materials. The interest rates hikes decided by central banks in order to help limit inflation caused an economic slowdown, forcing the World Bank to slash its 2023 growth forecasts.

The effects of this new crisis are already evident in the 2022 financial statements, which show a steep rise in energy costs: despite a 3% drop in consumption, these costs were 65% higher than in 2021. The repercussions on the statement of profit or loss and therefore on the net profit for the year were limited thanks to government tax credits for energy and the rate adjustments that will be recovered in billings over the coming years. Looking forward, the economic crisis triggered by the war in Ukraine and the consequent risk of an increase in unpaid bills has required the Company to carefully assess its credit positions and potential impairment losses. The difficulties households will be encountering ever more rapidly also make it likely that the Company will see a loss of billing revenue, which in 2022 was slightly higher than the previous year.

Another critical issue in 2022 was the drought that affected both aquifers and surface water sources. Despite the circumstances, the Company was able to distribute water as usual and even increased volumes by 2% with respect to 2021, demonstrating that Veritas SpA's aqueduct system has safety margins in terms of production and interconnections that allow it to face emergencies

and adapt to the specific conditions of the territory.

Finally, we remind you that the term of the Board of Directors comes to an end with approval of the 2022 financial statements.

The General Meeting will therefore be asked to elect a new board.

Venice, June 9, 2022

The Board of Statutory Auditors
Maria Giovanna Ronconi
Andrea Burlini
Maurizio Interdonato

2.7.2 Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Veritas S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Veritas S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31st, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31st, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

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 our report. We are independent of Veritas S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10,338,220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano/Monza/Brianza/Lodi n. 03049560166 - R.E.A. n. MI-1720299 | Partita IVA: IT 03049560166

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Revenue recognition for integrated water service – revenue earned but not yet billed

Description of the key audit matter Revenues from the integrated water service are determined on the basis of the national rates regulation defined by Autorità di Regolamentazione per Energia Reti e Ambiente (“ARERA”) through the rate mechanism called MTI-3. This mechanism provides for the rates to be determined on the basis of the costs incurred (the so-called guaranteed revenue constraint – “VRG”) and establishes the criteria for regulating in the following years the differences between the VRG and the revenue invoiced on the basis of the volumes provided and the rate in force.

Note 33 of the Group’s financial statements at December 31st, 2022, shows that for adjusting revenues to the VRG for the year 2022, the Group had to account for positive rate accrual of Euro 8.169 thousand, which were determined following an estimate accrual related to bills to be issued of Euro 15.112 thousand.

We have considered the procedure used for the determination of the above accrual to be a key matter for the audit of the Group’s consolidated financial statements for the year ended on December 31st, 2022, in view of: (i) the discretionary component inherent in the estimated nature of the accrual; ii) the complexity of calculation algorithms adopted by the Group for determining the estimate of revenue earned but not yet billed which have affected the nature and extent of our audit procedures and made it necessary to involve our IT specialists in order to perform these procedures.

Audit procedures performed	<p>The audit procedures that we carried out, performed also through the involvement of IT specialists from our network, included among others, the following:</p> <ul style="list-style-type: none"> • analysis of the computer procedures set up by the Group for the measurement related to service provided revenues not yet billed and, the related algorithms calculation; • understanding the key controls implemented by the Group to monitor the risk of an incorrect accrual and testing its operating effectiveness; • understanding and analysis of the criteria adopted by the Directors for the measurement of the VRG on the basis of the reference rate regulations; • analysis and testing of the main data used by the Directors for the estimation of the quantities consumed, the invoices to be issued and the rate estimates; • review of the adequacy and compliance of disclosure provided on the recognition of revenue earned but not yet billed at the reporting date with the applicable accounting standards.
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Other Matter

The consolidated financial statements of Veritas S.p.A for the period ended as of December 31st, 2021 have been audited by other auditors, that on June 9, 2022, expressed an unmodified opinion on these consolidated 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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's 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.
- Evaluate 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.
- Obtain 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.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Veritas S.p.A. has appointed us on June 27, 2022 as auditors of the Company for the years from December 31st, 2022 to December 31st, 2030.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Veritas S.p.A. are responsible for the preparation of the report on operations of Veritas Group as at December 31st, 2022, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Veritas Group as at December 31st, 2022, and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Veritas Group as at December 31st, 2022, and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Veritas S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Boaro
Partner

Treviso, Italy
June 8, 2023

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



3

Resolutions

3.1 Resolutions of the shareholders' meeting

The quorate ordinary Shareholders' Meeting which met on 26 June 2023 in Mestre, via Porto di Cavergnago 99, also in audio video conference, regularly constituted, resolved to:

- approve the separate annual report of Veritas spa as at 31 December 2022, which closed with a profit for the year of EUR 6,276,605, consisting of the Statement of financial position, the Statement of profit or loss and other comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Notes to the financial statements, as well as the Report on Operations, pursuant to board of directors resolution of 25 May 2023;
- allocate the profit for the year to the legal reserve to the extent of 5% (EUR 313,830), to the non-distributable reserve on the basis of the New Investments Fund (FONI) constraint (EUR 5,962,775);
- allocate a part of the other available reserves to the non-distributable reserve on the basis of FONI constraint for EUR 13,951,812;
- to release the non-distributable reserve recognised previously subject to the FONI constraint (EUR 17,497,966), as the investments in water services planned for 2021 were made;
- acknowledge the report of the Board of Statutory Auditors on the separate annual report of Veritas spa as at 31 December 2022, pursuant to Art. 2429, paragraph 2 of the Italian Civil Code;
- acknowledge the report of the independent auditing firm on the separate annual report of Veritas spa as at 31 December 2022, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.

It also acknowledged:

- the consolidated annual report of Veritas spa as at 31 December 2022, consisting of the Statement of financial position, the Statement of profit or loss and other comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Notes to the financial statements, as well as the Report on Operations, pursuant to board of directors resolution of 25 May 2023;
- the report of the independent auditing firm on the consolidated annual report of Veritas spa as at 31 December 2022, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.