FORM AND STRUCTURE

GENERAL INFORMATION

The Consolidated Financial Statements at 31 December 2020 of the Acea Group were approved by Board of Directors' Resolution on 10 March 2021, which also authorised their publication. The Parent Company Acea is an Italian joint-stock company, with its registered office in Rome, at piazzale Ostiense, 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the *Report on Operations*.

COMPLIANCE WITH IAS/IFRS

These Condensed Financial Statements have been prepared in compliance with the international accounting standards in effect on the date of the Financial Statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to art. 9 of Italian Legislative Decree 38/2005.
The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

BASIS OF PRESENTATION

The consolidated Financial Statements consist of the Consolidated Income Statement, the comprehensive Consolidated Income Statement, the consolidated balance sheet, the consolidated cash flow statement and the statement of changes in consolidated Shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The Consolidated Income Statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method.
The Consolidated Financial Statements are presented in Euros and all amounts are rounded off to the nearest thousand Euros unless otherwise indicated.
The figures in these Consolidated Financial Statements are comparable to those in the previous year.

ALTERNATIVE PERFORMANCE INDICATORS

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these Financial Statements are illustrated below:

- for the Acea Group, *the gross operating profit* (or EBITDA) is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- *the net financial position* is an indicator of the Acea Group's financial structure, the sum of non-current borrowings and financial liabilities (excluding payables arising as a result of certain acquisitions during the two years 2019-2020) net of non-current financial assets (excluding a part of Acea SpA's receivables related to IFRIC 12 and securities other than equity investments), current borrowings and other current financial liabilities net of current financial assets (including dividends to pay to Roma Capitale), and cash and cash equivalents;
- *net invested capital* is the sum of "Current assets", "Non-current assets" and assets and liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position;*
- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position.*

USE OF ESTIMATES AND ASSUMPTIONS

In application of IFRS, the preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that have an effect on the values of revenues (including the estimate of the GRC as indicated in the Integrated Water Service Revenues in the management report), costs, assets and liabilities in the Financial Statements and on the information relating to contingent assets and liabilities at the reporting date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.
The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, employee benefits and taxes. The original estimates and assumptions are periodically reviewed and the impact of each change is immediately recorded in the Income Statement.
The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the Financial Statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the Financial Statements when they occur.
In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual Financial Statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the Acea Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

RISKS CONNECTED TO THE CORONAVIRUS (COVID-19) EMERGENCY

Please see the *Report on Operations* for a description on the main impacts the Covid-19 emergency had on the Group's activities. Note that at present these impacts have not had significant effects on the Income Statement, nor has it created uncertainties that would reflect negatively on the presumption of the business as a going concern.
Finally, in the *Impairment Test* section below, the execution of the impairment test pursuant to IAS 36 is outlined, done so to take into account the global pandemic, which did not indicate a need to carry out any write-downs on the carrying values of tangible and intangible assets.
Relative to the recoverability of receivables, no particular risks were identified. Collection performance saw a slowdown during the initial months of lockdown and then returned to the same levels as those seen in the period prior to the pandemic. From the analysis done with regards to IFRS 9, no need was identified to carry out additional write-downs on the carrying values of receivables due to Covid-19.

CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

CONSOLIDATION POLICIES

Subsidiaries

The scope of consolidation includes the Parent Company Acea and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.
Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.
According to accounting standard IFRS 10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.
The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.
In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.
The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered.
Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the Shareholders' equity acquired or sold is recorded directly in the consolidated Shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the Income Statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities.
Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.
According to IFRS 11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement. To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances.
The Group reviews the existence of joint control when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The Consolidated Financial Statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.
In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.
The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of significant influence.
When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment test together with the value of the investment

CONSOLIDATION PROCEDURES

General procedure

The Financial Statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and

using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.
All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.
The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the Shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.
The minority interest in the net assets of consolidated subsidiaries is shown separately from Shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in Shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of Shareholders' equity are subsequently attributed to Shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.
The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS 5 and accounted for at fair value net of costs to sell.
If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.
The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised according to the provisions included in IFRS 9, in the Income Statement or among the other components of the comprehensive Income Statement.
The costs directly attributable to the acquisition are included in the Income Statement.
The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement,.
For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.
It is specified that the price allocation process is provisionally allocated to assets and liabilities and definitively accounted for within 12 months from the date of acquisition as required by IFRS 3.

Business combinations involving solely entities under common control

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

Treatment of put options for shares of subsidiaries

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

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

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

Consolidation of foreign companies

The Financial Statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company Acea, are converted into Euros by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to Income Statement items and to the cash flow statement.
The exchange differences arising from the translation of the Financial Statements of investee companies operating in currencies other than the euro are recognised directly in equity and are shown

separately in a specific reserve of; this reserve is reversed to the Income Statement at the time of complete disinvestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

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

SCOPE OF CONSOLIDATION

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

A. Changes in the scope of consolidation

With regard to the scope of consolidation, as at 31 December 2020 , note the changes which occurred in financial years 2019 and 2020:

- the line-by-line consolidation of the company Pescara Distribuzione Gas, which the Parent Company acquired a 51% stake in on 18 March 2019;
- Acea Innovation was established on 25 June 2019;
- Acea Solar and Acea Sun Capital were established on 30 April 2019 (both subsidiaries of Acea Produzione). Acea Sun Capital has the function of accommodating acquisitions of photovoltaic systems. The first acquisition took place on 27 June 2019 through the acquisition of 100% of KT4. During the second half of 2019 and again during 2020 the following companies were acquired: Acquaviva, Compagnia Solare 2, Compagnia Solare 3, SPES, Solaria Real Estate, Brindisi Solar (all later incorporate into Solaria Real Estate during 2020), Sisine Energia, Luna Energia, Marche Solar, Urbe Solar, Urbe Cerig, Trinovolt, Bersolar, Euroline3, IFV Energy and PF Power of Future, Energia and finally Belaria;
- the full consolidation of the companies acquired by Acea Ambiente: 90% Demap, a company operating in Piedmont in the field of plastics recycling, acquired on 4 July 2019; 60% Berg, a company performing waste management in the Municipality of Frosinone, acquired on 18 October 2019; 60% of the companies Ferrocart and Cavallari and Multigreen on 22 April 2020; these companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production and packaging waste as well as in the disposal of waste;
- the line-by-line consolidation of AdF effective 7 October 2019 following the amendment of the Shareholders' agreements that allowed Acea to exercise control over the company in accordance with IFRS 10;
- the line-by-line consolidation of Consorcio Agua Azul effective 13 January 2020 by virtue of the amendment of the Shareholders' agreements and the purchase by Acea International on 13 January 2020 of additional shares in the company from the outgoing Shareholder Impregilo International Infrastructures N.V., which increased the Group's shareholding from 25.5% to 44.0% (+ 18.5%);
- the consolidation of SIMAM (Servizi Industriali Manageriali Ambientali) on 7 May 2020. The company is a leader in the design, construction and management of water and waste treatment plants, in environmental works and reclamation, with integrated solutions featuring high technological content;
- the 100% consolidation of the company Fergas Solar, acquired by Acea Solar on 15 April 2020, operating in the field of the development and construction of photovoltaic plants;
- the consolidation of 100% of the company Electric Drive Italia, acquired by Acea Innovation on 19 May 2020, which promotes the development of electric mobility through advanced IT solutions.
- the line by line consolidation of 51% of Alto Sangro Distribuzione Gas, a company operating in the gas distribution sector, and its subsidiary Notaresco;
- on 16 November 2020, an additional 15% stake was acquired in Sistemi Idrici Integrati (hereafter S.I.I.), thereby arriving at a total stake of 40%, with line-by-line consolidation as of that date after an amendment to the Shareholders' agreements;
- on 15/12/2020 the company Consorcio Acea was established, controlled by Acea Perù (99%) and Acea Ato 2 (1%). It has signed a three-year contract for operation of the water pumping stations in Lima.

We can note that the merger by incorporation of the companies Brindisi Solar, Acquaviva, Compagnia Solare 2, Compagnia Solare 3 and SPES into the company Solaria Real Estate was carried out on 27 July 2020. In addition, the merger by incorporation of the companies Luna Energia, Sisine Energia, Urbe Cerig, Urbe Solar and Bersolar into the company KT4 was carried out on 26 October 2020. Both mergers have accounting and fiscal effects backdated to 1 January 2020.

Finally, it should be noted that Lunigiana Acque, placed in liquidation on 28 July 2011, was eliminated from the Company Register on 20 December 2019.

B. Unconsolidated investments

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

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

MEASUREMENT CRITERIA

Currency conversion

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

Revenue recognition

In accordance with the provisions of IFRS 15 "Revenue from contracts with customers", revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

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

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

- **revenues from the sale and transport of electricity and gas** are recognised at the time the service is supplied or supplied, even if they are not invoiced, and are determined by adding estimates calculated on the basis of pre-established reading calendars. These revenues are calculated on the basis of the provisions of the law, of the Resolutions of the Authority for electricity and gas and the water system in force during the period, also taking into account the pro tempore equalisation measures in force; it should be noted that with reference to the valorisation of revenues from the transport of electricity, if the admission of investments in tariffs that establishes the right to payment for the operator is virtually certain already in the year in which they are realized, the corresponding revenues they are ascertained on an accrual basis regardless of how they will be financially recognized as a result of ARERA Resolution 654/2015;
- **the revenues of the Integrated Water Service** are determined on the basis of the Water Tariff Method (MTI-3), valid for the determination of the tariffs for the years 2020-2023, approved with Resolution no. 580/2019/R/idr (MTI-3) of 30 December 2019, Determination 1/2020-DSIS of 29/06/2020 and subsequent modifications by ARERA. Based on the interpretation of the legal nature of the tariff component, Fo.NI. (New Investments Fund) is entered among the revenues for the year the relative amount due to the Water Companies where expressly recognized by the Area Authorities which establish the intended use.

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

Contributions

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met.
Water connection fees are recorded among other non-current liabilities and released to the Income Statement over the life of the investment to which they refer, if related to an investment, and fully recognized as income if they are related to costs incurred.
Operating grants (granted for the purpose of providing immediate financial assistance to the company or as compensation for expenses and losses incurred in a previous year) are recognised in full in the Income Statement when the conditions for recognition are met.

Construction contracts in progress

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

Employee benefits

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

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

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

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

Financial income

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate (rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the Financial Statements.

Dividends

These are recognised when the unconditional right of Shareholders is established to receive payment. These are classified in the Income Statement under the item financial income.

Taxes

Income taxes for the year represent the sum of current and deferred taxes.

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

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

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

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

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

Tangible assets

Tangible assets are recognised at historical cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses.

The cost includes the costs of the dismantling and removal of the assets and the costs of reclamation of the site on which the tangible assets stand, if they comply with the provisions of IAS 37. The corresponding liability is recognized in the liability item for risks and charges. Assets composed of components of a significant amount with a different useful life.

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

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

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

Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are recorded in the Income Statement for the year.

Real estate investments

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

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

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

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

Intangible assets

Intangible assets refer to assets without identifiable physical sub-

stance, controlled by the company and capable of producing future economic benefits, as well as the goodwill purchased for consideration. Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies. The useful life of intangible assets can be qualified as definite or indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may be reduced. In contrast, depreciation of the useful life is calculated at constant rates based on the estimated useful life, which is reviewed annually and any changes, where possible, are made with prospective applications. Depreciation begins when the intangible asset is available for use.
Gains or losses deriving from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recorded in the Income Statement at the time of disposal.

Goodwill

Goodwill deriving from business combinations (including but not limited to, the acquisition of subsidiaries, jointly controlled entities or the acquisition of business units or other extraordinary transactions) represents the excess of the cost acquisition of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity at the acquisition date compared to the Group's share of the fair value. Goodwill is recognised as an asset and reviewed annually to verify that it has not suffered any loss in value. If there is joint control, or even affiliated, the goodwill of investments recognised according to the equity method remains implicit in the value of the investment.
The losses in value are recorded immediately in the Income Statement and are not subsequently restored.
At the acquisition date, any emerging goodwill is allocated to each of the independent cash generating units that are expected to benefit from the synergistic effects deriving from the acquisition. Any loss in value is identified through assessments that refer to the capacity of each unit to generate cash flows to recover the part of goodwill allocated to it. In the event that the recoverable amount by the cash-generating unit is lower than the assigned load value, the relative loss in value is recorded.
In the event of the sale of a subsidiary or jointly controlled entity, the amount not yet amortized of the goodwill attributable to them is included in the determination of the gain or loss on disposal.

Concessions

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

- the net value of the goodwill deriving from the transfer of the sewerage service effected with effect from 1 September 2002 from Roma Capitale to Acea Ato 2;
- the higher cost, for the portion attributable to this item, deriving from the acquisition of the A.R.I.A. with particular reference to SAO, the company that manages the Orvieto landfill, now merged into Acea Ambiente.

Infrastructure Law

In line with the provisions of IFRIC 12 "Service Concession Arrangements", based on the intangible asset model the Group reports the total amount of the physical infrastructure supplied for the management of the water service, since the service concession contract does not give the concessionaire the right to control the use of the public service infrastructure but rather allows access to the management of the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.
In fact, the aforementioned interpretation requires the registration of a single intangible asset representing the concessionaire's right to charge the fee to users of the public service instead of the takeover of the physical infrastructure for the management of the service.
The amount also includes the capitalisation of the margin resulting from investments.

Rights of use of intellectual property

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

Right of use

This item contains assets relative to application of international accounting standard IFRS 16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS 17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS 16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the Financial Statements).
The right to use the leased asset ("Right of use") and the commitment made result from financial data in the Financial Statements (IFRS 16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS 16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.
There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

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

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases – including renewals – will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease.
For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody's. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS 16.

Impairment

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at

least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure.
The test consists of a comparison between the carrying amount of the asset and its estimated value in use – VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the "VIU" is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing.
Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses. The determination of the "VIU" is carried out using the financial method (Discounted Cash Flow – DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.
If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve.
When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the Income Statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.
Where an impairment charge is recognised in the Income Statement, it is included among amortisation, depreciation and impairment charges.

Emission allowances, green certificates and white certificates

Different accounting policies are applied by the Group to allowances or certificates held for own use in the "Industrial Portfolio", and those held for trading purposes in the "Trading Portfolio".
Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value.
Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.

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

Allowances or certificates held for trading in the "Trading Portfolio" are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends. Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period, or otherwise on the basis of market prices.

Inventories

Warehouse stock is valued as the difference between costs and net value of earnings. Costs include direct materials and, where applicable, direct labour, general production expenses and other costs sustained to bring the stock to its current conditions and location. Cost is calculated using the moving weighted average method. The net value of earnings is estimated sales price minus estimated costs for completion and estimated costs necessary to execute the sale. Devaluations of warehouse stock, according to its nature, are made through allocation funds, written in the balance sheet reducing assets entries, i.e. item by item, offsetting variations of leftover stock in the Income Statement.

Financial instruments

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

Financial assets – debt instruments

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories: 1) financial assets measured at amortised cost; 2) financial assets measured at fair value through other comprehensive income (hereafter, also OCI), 3) financial assets measured at fair value through profit and loss.
Initial recognition takes place at fair value. For trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.
Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called "hold to collect" model). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value.
Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition.
Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related provision for bad debts.
The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called "hold to collect and sell" business model) are valued at fair value with allocation of the effects to OCI (hereinafter also FVTOCI). In this case, changes in the fair value of the instrument are recognised under Shareholders' equity among other components of comprehensive income.
The cumulative amount of changes in fair value recognised in the Shareholders' equity reserve that includes the other components of the overall profit is reversed in the Income Statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs is recognised in the Income Statement.
A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the Income Statement (hereinafter FVTPL).

This category includes financial assets held for trading purposes.
When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement.
The financial assets sold are derecognised when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Write-downs of financial assets
The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the Income Statement is made on the basis of the so-called "Expected credit loss model".
In particular, expected losses are generally determined based on the product of: 1) the exposure owed to the counterparty net of the relative mitigating factors (so-called "Exposure at default"); 2) the probability that the counterparty does not comply with its payment obligation ("Probability of default"); 3) the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default ("Loss given default"), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.).
In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment – is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets.
For retail customers not having internal ratings, the assessment of expected losses is based on a provision matrix, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

Financial assets related to agreements for services under concession
With reference to the application of IFRIC 12 to the Public Lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive cash flows. In addition, the Group reports revenues on the contract for construction and improvement services, both for the part carried out internally by the Group and for the part of third parties. The margin recorded equal to 5% of the costs incurred is accounted for according to the provisions of IFRS 15 and amortised over the residual duration of the concession.

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

Financial liabilities
Financial liabilities other than derivative instruments – including financial payables, trade payables, other payables and other liabilities – are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point "Financial assets".
Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

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

Derivative financial instruments and hedge accounting
Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, "Fair value valuations".
As part of the risk management strategy and objectives, qualification of transactions as hedges requires: 1) verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; 2) the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge.
When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects in the Income Statement. Similarly, the hedged instruments in the Income Statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument.
When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are initially recognised in the Shareholders' equity reserve relating to the other components of comprehensive income, and subsequently recognised in the Income Statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called "basis adjustment").
The ineffective portion of the hedge is recorded in the Income Statement item "Financial (costs)/income".
Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the Income Statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the Income Statement item "Financial (costs)/income".
Embedded derivatives – embedded in financial assets – are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets.
Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: 1) meets the definition of a derivative; 2) as a whole it is not valued at fair value

with the effects being charged to the Income Statement (FVTPL); 3) if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

Valuation at fair value

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

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

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

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

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

Provisions for risks and charges

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

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

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

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

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2020

"Amendments to IFRS 3 – Business Combination"
Issued on 22 October 2018 to resolve interpretative difficulties that arise when an entity needs to determine whether it has acquired a business or a Group of businesses. The amendments are effective for business combinations for which the acquisition date is after 1 January 2020.

"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"
Issued on 26 September 2019, it explains the changes contained in the document "*Reform of the reference indices for the determination of interest rates*" aimed at providing temporary exemptions from the application of certain provisions on hedge accounting for all hedging relationships directly impacted by the reform of benchmark interest rates. Amendments are effective from the financial years beginning on or after 1 January 2020.

"Amendments to IAS 1 and IAS 8"
Issued on 31 October 2018 to clarify the definition of "material" and in order to align the definition used in the Conceptual Framework and in the standards themselves. The amendments are effective for periods beginning on or after 1 January 2020. Earlier application is permitted.

"Amendments to References to the Conceptual Framework in IFRS Standards"
Issued on 29 March 2018, it contains amendments to international accounting standards, essentially of a technical and editorial nature. Amendments are effective from the financial years beginning on or after 1 January 2020.

"Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions"
Issued on 28 May 2020, it introduces a practical arrangement aimed at allowing the possibility for the lessee not to consider as amendments to the lease any concessions recognised as a result of Covid-19 (e.g. suspension of rent payments). The lessee may therefore exempt itself from revising numerous contracts and need not redefine the respective lease liabilities by means of a new discount rate since it can treat such changes in a manner that does not involve a lease modification. This expedient, applicable to lessees and not lessors, is effective as of 1 June 2020 and is limited to changes to rent made through 30 June 2021, intended to mitigate the effects of Covid-19.

"Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform"
Issued on 27 August 2020, this introduces a reform for benchmarks used to determine interest rates in order to take into account the consequences of the financial disclosure reform (Regulation EU 2020/34 and the recommendations contained in the Council for Financial Stability Report of July 2014, "*Reforming Major Interest Rate Benchmarks*") so that companies can continue to comply with provisions, presuming that the existing interest rate benchmarks have not been changed following the reform of interbank rates. Companies will apply these changes at the latest starting from the first day of the first financial year beginning on 1 January 2020 or after.

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

"IFRS 17 Insurance Contracts"
On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts" which defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17, which supersede those currently envisaged in IFRS 4 "Insurance Contracts", are effective from the financial years beginning on or after 1 January 2021.

"Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9"
On 28 May 2020, the IASB published an extension of the temporary exemption on application of IFRS 9, bringing the date to 1 January 2023, offering the possibility of aligning measurement criteria for financial instruments to the new accounting standard IFRS 17 to measure and recognise insurance contracts. The extension is effective for financial years starting on or after 1 January 2021.

"Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"
Issued on 23 January 2020, it provides clarifications on the classification of liabilities as current or non-current. Amendments to IAS 1 are effective from the financial years beginning on or after 1 January 2023.

"Amendment to IFRS 3 Business Combinations"
Issued on 24 June 2020, it updates the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

"Amendment to IAS 16 Property, Plant and Equipment"
Issued on 24 June 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues

and related costs are recognised in the Income Statement. Amendments to IAS 16 are effective from the financial years beginning on or after 1 January 2022.

“Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets”

Issued on 24 June 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss.

“Annual Improvements 2018-2020”

Issued on 24 June 2020, it includes amendments to:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards”, where a subsidiary that applies paragraph D16 of IFRS 1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the Parent Company;
- IFRS 9 “Financial Instruments”, which provides clarification on which fees to include in the ten per cent test in section B3.3.6 when assessing whether to eliminate a financial liability;
- IAS 41 “Agriculture”, where, in order to ensure consistency with the requirements of IFRS 13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted.
- the “Illustrative Examples” accompanying IFRS 16 “Leases”, eliminating “Illustrative Example 13” in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

CONSOLIDATED INCOME STATEMENT

Ref. Note		31/12/2020	Of which related party transactions	31/12/2019	Of which related party transactions	Change
1	Revenue from sales and services	3,205,492		3,021,843		183,648
2	Other revenue and income	173,900		164,293		9,607
	Consolidated net revenues	**3,379,392**	**103,822**	**3,186,136**	**87,443**	**193,256**
3	Personnel costs	267,651		249,275		18,376
4	Costs of materials and overheads	1,986,927		1,936,030		50,896
	Consolidated operating costs	**2,254,577**	**53,743**	**2,185,306**	**39,349**	**69,272**
5	**Net income/(costs) from commodity risk management**	**330**		**99**		**231**
6	**Income/(Costs) from equity investments of a non-financial nature**	**30,319**		**41,367**		**(11,048)**
	EBITDA	**1,155,463**	**50,079**	**1,042,297**	**48,093**	**113,166**
7	Net write-downs (write-backs) of trade receivables	79,442		61,697		17,745
8	Depreciation, amortisation and provisions	541,042		457,376		83,666
	Operating profit/(loss)	**534,980**	**50,079**	**523,224**	**48,093**	**11,756**
9	Financial income	10,046	1,910	10,670	5,194	(624)
10	Financial costs	(98,064)	0	(106,089)	(407)	8,025
11	Income/(costs) from equity investments	14,243		2,585		11,659
	Profit/(loss) before tax	**461,205**	**51,989**	**430,390**	**52,880**	**30,816**
12	Income taxes	134,648		123,213		11,435
	Net profit/(loss)	**326,558**	**51,989**	**307,177**	**52,880**	**19,381**
	Net profit/(loss) from discontinued operations					
	Net profit/(loss)	**326,558**	**51,989**	**307,177**	**52,880**	**19,381**
	Profit/(loss) attributable to non-controlling interests	41,609		23,491		18,119
	Net profit/(loss) attributable to the Group	**284,948**		**283,686**		**1,262**
13	Earnings (loss) per share attributable to Parent Company's Shareholders					
	Basic	1.33801		1.33208		0.00593
	Diluted	1.33801		1.33208		0.00593
	Earnings (loss) per share attributable to Parent Company's Shareholders, net of treasury shares					
	Basic	1.34063		1.33469		0.00594
	Diluted	1.34063		1.33469		0.00594

Amounts in € thousand

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

€ thousand	31/12/2020	31/12/2019	Change
Net income for the period	**326,558**	**307,177**	**19,381**
Profit/loss from conversion of Financial Statements expressed in foreign currency	**(5,983)**	**367**	**(6,349)**
Reserve for exchange differences	5,740	(5,299)	11,040
Tax reserve for exchange differences	(1,378)	1,272	(2,650)
Gains/losses from exchange rate difference	**4,363**	**(4,028)**	**8,390**
Effective portion of gains/(losses) on hedging instruments (“cash flow hedges”)	2,637	(2,019)	4,656
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(1,059)	1,108	(2,167)
Profit/loss from the effective portion on hedging instruments net of tax effect	**1,578**	**(910)**	**2,488**
Actuarial gains/(losses) on employee benefits recognised in equity	(4,920)	(6,424)	1,504
Tax effect on the other actuarial profit/(loss) on staff benefit plans	1,416	585	832
Actuarial profit/(loss) on defined benefit pension plans net of tax effect	**(3,504)**	**(5,839)**	**2,336**
Total components of other comprehensive income, net of tax effect	**(3,546)**	**(10,411)**	**6,865**
Total comprehensive income/loss	**323,012**	**296,766**	**26,246**
Total comprehensive income (loss) attributable to:			
Group	282,446	272,932	9,515
Minority interests	40,566	23,834	16,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. Note	ASSETS	31/12/2020	Of which with related parties	31/12/2019	Of which with related parties	Change
14	Tangible fixed assets	2,786,645		2,609,485		177,161
15	Real estate investments	2,372		2,431		(58)
16	Goodwill	223,713		182,902		40,810
17	Concessions and rights on infrastructure	2,835,766		2,484,483		351,284
18	Intangible fixed assets	313,232		222,358		90,873
19	Right of use	73,660		63,397		10,263
20	Equity investments in unconsolidated subsidiaries and associates	276,362		268,039		8,323
21	Other equity investments	3,100		2,772		328
22	Deferred tax assets	235,012		237,693		(2,681)
23	Financial assets	38,781	21,156	47,202	26,144	(8,421)
24	Other assets	522,360		380,666		141,694
	NON-CURRENT ASSETS	**7,311,004**	**21,156**	**6,501,429**	**26,144**	**809,575**
25.a	Inventories	91,973		57,335		34,638
25.b	Trade receivables	981,509	72,080	1,035,462	99,798	(53,954)
25.c	Other current assets	257,442		212,956		44,486
25.d	Current tax assets	9,618		12,328		(2,710)
25.e	Current financial assets	379,859	143,097	299,212	121,968	80,647
25.f	Cash and cash equivalents	642,209		835,693		(193,484)
25	**CURRENT ASSETS**	**2,362,610**	**215,177**	**2,452,987**	**221,766**	**(90,376)**
	Non-current assets held for sale	0		0		0
	TOTAL ASSETS	**9,673,614**	**236,333**	**8,954,416**	**247,910**	**719,198**

Amounts in € thousand

Ref. Note	LIABILITIES	31/12/2020	Of which with related parties	31/12/2019	of which with related parties	Change
	Shareholders' equity					
	Share capital	1,098,899		1,098,899		0
	Legal reserve	129,761		119,336		10,424
	Other reserves	(224,509)		(209,562)		(14,947)
	Retained earnings/(losses)	675,731		562,413		113,318
	Profit (loss) for the year	284,948		283,686		1,262
	Total Group Shareholders' equity	**1,964,829**		**1,854,772**		**110,058**
	Minority interests	358,429		251,938		106,491
26	**Total Shareholders' equity**	**2,323,258**		**2,106,710**		**216,548**
27	Employee severance indemnity and other defined-benefit plans	122,047		104,613		17,434
28	Provision for risks and charges	156,951		151,418		5,533
29	Borrowings and financial liabilities	4,154,251		3,551,889		602,362
30	Other liabilities	405,799		391,100		14,699
	NON-CURRENT LIABILITIES	**4,839,048**		**4,199,020**		**640,027**
31.a	Financial payables	419,822	133,714	674,364	79,616	(254,542)
31.b	Payables to suppliers	1,627,119	77,230	1,600,263	111,319	26,856
31.c	Tax payables	40,217		11,977		28,240
31.d	Other current liabilities	424,150		362,082		62,068
31	**CURRENT LIABILITIES**	**2,511,308**	**210,944**	**2,648,685**	**190,935**	**(137,378)**
	Liabilities directly associated with assets held for sale	0		0		0
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,673,614**	**210,944**	**8,954,416**	**190,935**	**719,198**

Amounts in € thousand

CONSOLIDATED STATEMENT OF CASH FLOWS

Ref. Note		31/12/2020	Related parties	31/12/2019	Related parties	Change
	Cash flow from operating activities					
	Profit before tax	461,205		430,390		30,816
8	Depreciation/amortisation and impairment charges	498,257		409,557		88,700
6-7	Write-ups/write-downs	34,879		22,862		12,017
28	Change in provisions for risks	3,362		5,268		(1,906)
27	Net change in the provision for employee benefits	18,737		(10,708)		29,444
	Net financial interest	88,018		90,302		(2,284)
12	Income taxes paid	(119,424)		(132,617)		13,193
	Financial flows generated by operating activities before changes	**985,034**	**0**	**815,054**	**0**	**169,980**
25	Increase/decrease in receivables included in current assets	21,976	27,718	(118,892)	(15,816)	140,867
31	Increase/decrease in payables included in the working capital	30,699	(34,089)	41,729	(13,180)	(11,030)
25	Increase/decrease in inventories	(28,367)		(7,447)		(20,919)
	Change in working capital	**24,308**	**(6,371)**	**(84,610)**	**(28,997)**	**108,918**
	Change in other assets/liabilities during the period	**(182,600)**		**39,137**		**(221,737)**
	TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**826,742**	**(6,371)**	**769,581**	**(28,997)**	**57,161**
	Cash flow from investment activities					
	Purchase/sale of tangible fixed assets	(572,313)		(431,036)		(141,276)
	Purchase/sale of intangible fixed assets	(334,656)		(361,740)		27,084
20-21	Equity investments	(103,792)		(43,703)		(60,088)
	Collections/payments deriving from other financial investments	(68,463)	(16,142)	(177,824)	(30,620)	109,361
	Collected dividends	29,848	29,848	16,787	16,787	13,061
	Interest income collected	14,990		20,588		(5,598)
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(1,034,385)**	**13,706**	**(976,928)**	**(13,833)**	**(57,457)**
	Cash flow from financing activities					
29	Repayment of mortgages and long-term loans	(487,747)		(313,642)		(174,104)
29	Provision of mortgages/other debts and medium to long term	604,900		500,000		104,900
29-31	Decrease/increase in other financial debts	58,832	54,098	(89,136)	78,989	147,967
	Interest expense paid	(102,158)		(109,302)		7,145
	Dividends paid	(93,212)	(93,212)	(73,795)	(73,795)	(19,417)
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**(19,384)**	**(39,114)**	**(85,875)**	**5,194**	**66,491**
	Cash flow for the period	**(227,028)**	**(25,408)**	**(293,223)**	**(37,635)**	**66,195**
	Net opening balance of cash and cash equivalents	**835,693**		**1,068,138**		**(232,445)**
	Cash availability from acquisition	33,544		60,778		(27,234)
	Net closing balance of cash and cash equivalents	**642,209**		**835,693**		**(193,484)**

Amounts in € thousand

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Minority interests	Total Shareholders' equity
Balance as at 1 January 2019	1,098,899	111,948	235,897	282,895	**1,729,638**	173,853	**1,903,491**
Income Statement profit	0	0	0	283,686	**283,686**	23,491	**307,177**
Other comprehensive income (loss)	0	0	0	(10,754)	**(10,754)**	344	**(10,411)**
Total comprehensive income (loss)	**0**	**0**	**0**	**272,932**	**272,932**	**23,834**	**296,766**
Allocation of result for 2018	0	7,389	275,506	(282,895)	**0**	0	**0**
Distribution of dividends	0	0	(150,909)	0	**(150,909)**	(7,990)	**(158,899)**
Change in scope of consolidation	0	0	3,736	0	**3,736**	62,736	**66,472**
Other changes	0	0	(625)	0	**(625)**	(495)	**(1,120)**
Balance as at 31 December 2019	1,098,899	119,336	363,605	272,932	**1,854,772**	251,938	**2,106,710**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET REVENUES

As at 31 December 2020 these amounted to € 3,379,392 thousand (€ 3,186,136 thousand at 31 December 2019), recording an increase of € 193,256 thousand compared to the previous year:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Revenue from sales and services	3,205,492	3,021,843	183,648	6.1%
Other revenue and income	173,900	164,293	9,607	5.8%
Consolidated net revenues	**3,379,392**	**3,186,136**	**193,256**	**6.1%**

1. Revenue from sales and services – € 3,205,492 thousand

This item registered a total increase of € 183,648 thousand (+ 6.1%) compared to the previous financial year which closed with € 3,021,843 thousand. The composition of the item is shown below.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Revenue from electricity sales and services	1,703,184	1,732,665	(29,481)	(1.7%)
Revenue from gas sales	107,285	93,399	13,886	14.9%
Revenue from electricity incentives	20,739	20,837	(98)	(0.5%)
Revenues from the Integrated Water Service	1,061,682	925,169	136,513	14.8%
Revenue from Overseas Water Services	62,225	46,514	15,711	33.8%
Revenue from biomass transfer and landfill operations	113,880	77,925	35,956	46.1%
Revenue from customer services	110,459	99,461	10,998	11.1%
Connection fees	26,037	25,873	164	0.6%
Revenue from sales and services	**3,205,492**	**3,021,843**	**183,648**	**6.1%**

Note that in the values for 2019 reclassifications were carried out among "Revenues from the Integrated Water System" and "Revenue from customer services", in order to better represent the data.

REVENUE FROM ELECTRICITY SALES AND SERVICES

These are equal to € 1,703,184 thousand and are represented as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Electricity and heat generation	8,920	10,023	(1,103)	(11.0%)
Electricity sales	1,309,420	1,352,615	(43,195)	(3.2%)
Transport and metering of energy	376,420	335,936	40,484	12.1%
Energy sales from WTE	2,622	24,265	(21,643)	(89.2%)
Energy from photovoltaic plants	1,936	4,783	(2,847)	n.s.
Co-generation	3,866	4,725	(859)	(18.2%)
Revenue from electricity sales and services	**1,703,184**	**1,732,347**	**(29,163)**	**(1.7%)**

The main changes concern:

- the decrease in revenues from electricity distribution of € 43,195 thousand due to: 1) the revision of the value recognised for the arrears offsetting mechanism on the protected market (ARERA Resolution, no. 100/2020), as well as effects deriving from the decrease in the number of clients served on the protected market and the update of tariff components for the remuneration of sales established by ARERA Resolution no. 576/; 2) on the Free Market, a 19.3% increase with respect to the previous year, mainly relative to the B2B segment;
- the decrease in revenues from the sale of energy from WtE of € 21,643 thousand, due in particular to the expiry of the CIP6 regime in July 2019 on the San Vittore plant, partly offset by higher volumes of energy sold and lower tariffs;
- the increase in revenues from transport and metering of energy destined for the protected and free markets (+ € 40,484 thousand), mainly deriving from the general equalisation, which shows greater revenues of € 38,871 thousand.

REVENUE FROM GAS SALES

Revenues equal € 107,285 thousand and show an increase of € 13,886 thousand compared to 31 December 2019 due to both the price effect and the quantity-sold effect, to final customers and wholesalers by Acea Energia (+ 25.4 million m^3 of gas compared to 2019).

REVENUE FROM ELECTRICITY INCENTIVES

These revenues amount to € 20,739 thousand and show a decrease of € 98 thousand compared to the previous year. The item includes revenues from green certificates: 1) those of Acea Produzione (€ 16,643 thousand) in relation to the energy produced by the Salisano and Orte Station; 2) those of Acea Ambiente (€ 2,144 thousand) for revenues from green certificates deriving from an incentive system from renewable sources of the WTE plants in Terni and San Vittore del Lazio.

REVENUES FROM THE INTEGRATED WATER SERVICE

As mentioned in the section of the management report to which reference is made for more detailed explanations, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. Said revenue amounts in total to € 1,061,682 thousand and shows an increase of € 136,513 thousand (+ 14.8%) compared to the previous year (€ 925,169 thousand).
Details of the breakdown by company are given below.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Acea Ato 2	649,963	624,061	25,901	4.2%
Acea Ato 5	75,294	72,365	2,929	4.0%
Acea Molise	5,281	4,389	891	20.3%
Gesesa	13,388	12,809	580	4.5%
Gori	201,236	185,868	15,367	8.3%
Acquedotto del Fiora	111,995	25,676	86,319	n.s.
Servizi Idrici Integrati	4,526	0	4,526	n.s.
Revenues from the Integrated Water System	**1,061,682**	**925,169**	**136,513**	**14.8%**

The increase is mainly due to the change in the scope of consolidation for a total of € 90,845 thousand with reference to AdF, line-by-line consolidated as of October 2019, and to S.I.I., line-by-line consolidated as of November 2020.

The remaining increase is in particular due to the tariff increase determined on the basis of the provisions of the MTI-3 water tariff method, as approved by ARERA Resolution no. 580/2019/R/idr of 27 December 2019, and taking into account the current state of contact with the AGB with particular reference to the new tariff components introduced with MTI-3. Note that as is already indicated in the *Report on Operations*, among the main changes introduced by the new MTI-3 is the elimination of the contractual quality bonus that amounted to € 35,850 thousand in 2019 for Acea Ato 2.

REVENUE FROM INTERNATIONAL WATER SERVICES

These revenues are equal to € 62,225 thousand and show an increase of € 15,711 thousand compared to the previous year (€ 46,514 thousand as at 31 December 2019). The change derives from the full consolidation of Consorcio Agua Azul from 13 January 2020 for € 12,905 thousand and for the remaining part from the improved performance of Acea Perù for € 6,079 thousand in relation to temporary management of the Lima Nord contract.

REVENUE FROM BIOMASS TRANSFER AND LANDFILL OPERATIONS

These revenues amounted to € 113,880 thousand, up € 35,956 thousand compared to the previous year (€ 77,925 thousand).
The breakdown by company is provided below:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Acea Ambiente	68,164	54,725	13,439	24.6%
Ferrocart	4,636	0	4,636	n.s.
Cavallari	7,462	0	7,462	n.s.
Aquaser	13,093	14,741	(1,648)	(11.2%)
Multigreen	2,747	0	2,747	n.s.
Iseco	223	234	(12)	(4.9%)
Acque Industriali	9,445	4,618	4,827	104.5%
Bioecologia	2,569	3,607	(1,038)	(28.8%)
Berg	5,542	0	5,542	n.s.
Revenue from biomass transfer and landfill operations	**113,880**	**77,925**	**35,956**	**46.1%**

Performance in 2020 was influenced by the change in the scope of consolidation for € 20,387 thousand, and for the remaining part by the following main events:

- Acea Ambiente + € 13,439 thousand mainly due to higher revenues for contributions in the Terni and San Vittore plants related to the increase in the tariff component and decrease in total contributions. Revenue for waste recovery also increased due to the volumes processed at the Aprilia, Sabaudia and Monterotondo plants. In 2019 the Monterotondo plant underwent revamping, in 2020 the Sabaudia plant was revamped and its contributions are therefore suspended;
- Aquaser - € 1,647 thousand due to the combined effect of the increase in the applied tariff and the lower quantities;
- Acque Industriali + € 4,827 thousand linked to the increase in sludge disposal due to the greater number of tonnes managed and a reduction in the tariff applied and the decrease in the disposal of liquids due to the reduction in tonnes managed and a decrease in the tariff applied.

REVENUE FROM CUSTOMER SERVICES

These amounted to € 110,459 thousand (€ 99,461 thousand at 31 December 2019) and increased by € 10,998 thousand. The changes can be represented as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Public Lighting – Rome	33,666	40,631	(6,965)	(17.1%)
Work for third parties	64,469	45,164	19,304	42.7%
Inter-company services	4,807	4,769	38	0.8%
Photovoltaic	202	197	5	2.4%
GIP revenue	6,258	6,235	23	0.4%
RIB services to the Municipality of Rome	0	513	(513)	(100.0%)
Change in inventories	1,058	1,952	(894)	(45.8%)
Revenue from customer services	**110,459**	**99,461**	**10,998**	**11.1%**

The main change is due to the item work for third parties, for greater revenues deriving from the change in the scope of consolidation of € 16,218 thousand (SIMAM contributing € 13,188 thousand), with these increases offset by lower revenues for Public Lighting, due to malfunctions and authorisations not received for new projects (- € 6,956).

CONNECTION FEES

These amounted to € 26,037 thousand, recording a slight increase of € 164 thousand compared to 31 December 2019. The change is due to increases recorded by the consolidation of AdF (+ € 521 thousand) and S.I.I. (+ € 435 thousand), the increase in areti (+ € 1,008 thousand) and Acea Ato 2 (+ € 247 thousand), partially compensated for by the decrease in Acea Energia (- € 1,997 thousand), also due to slowdowns in activities requested by clients during the lockdown.

2. Other revenues and income – € 173,900 thousand

This item increased by € 9,607 thousand (+ 5.8%) compared to 31 December 2019, when the figure was € 164,293 thousand.

The following table supplies the breakdown of said entry:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Contributions from Entities for Energy Efficiency Certificates	20,907	22,947	(2,039)	(8.9%)
Non-recurring gains	81,985	80,334	1,651	2.1%
Other revenues	16,932	21,225	(4,293)	(20.2%)
Refunds for damages, penalties, collateral	5,416	4,771	645	13.5%
Feed-in tariff	17,229	4,925	12,304	n.s.
Regional grants	8,865	6,776	2,089	30.8%
Income from end users	604	2	601	n.s.
Seconded personnel	407	480	(72)	(15.1%)
Real estate income	2,005	2,099	(94)	(4.5%)
IFRIC 12 margin	17,422	14,795	2,627	17.8%
Gains on asset disposals	172	28	144	n.s.
Recharged cost for company officers	674	653	21	3.2%
Premiums for continuity of service	0	62	(62)	(100.0%)
Revenues for disconnections and connections	1,284	5,196	(3,912)	(75.3%)
Other revenue and income	**173,900**	**164,293**	**9,607**	**5.8%**

The increase was primarily determined by the following offsetting effects:

- greater revenues paid by the GSE to photovoltaic companies (+ € 12,304 thousand), deriving from acquisitions which occurred between 2019 and 2020;
- increase in the IFRIC 12 margin of € 2,627 thousand following the higher investments with respect to 2019;
- decrease in other revenues, mainly due to the recognition in 2019 of the contingency of € 16,200 thousand due to the Regional Administrative Court's decision which annulled the fine imposed by the Italian Competition Authority, issued on 8 January 2019 and against which an appeal was filed, partially compensated for by the increase in non-existent assets, mainly with regards to Acea Ato 2 and relative to tariff components for the years 2018 and 2019 which were recognised, when the 2020-2021 tariff was prepared, in an amount exceeding that recognised in the respective Financial Statements or which were introduced anew in Resolution 580/2019, which governed tariffs for the Integrated Water Service through MTI-3, in particular the additional component for the cost of sewage sludge disposal and transport.

CONSOLIDATED OPERATING COSTS

As at 31 December 2020 these amounted to € 2,254,577 thousand (€ 2,185,306 thousand at 31 December 2019), recording an increase of € 69,272 thousand (+ 3.2% over the previous year). The breakdown is as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Personnel costs	267,651	249,275	18,376	7.4%
Costs of materials and overheads	1,986,927	1,936,030	50,896	2.6%
Consolidated operating costs	**2,254,577**	**2,185,306**	**69,272**	**3.2%**

3. Personnel costs – € 267,651 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Staff costs including capitalised costs	431,688	399,009	32,678	8.2%
Costs capitalised	(164,037)	(149,734)	(14,303)	9.6%
Personnel costs	**267,651**	**249,275**	**18,376**	**7.4%**

The increase in personnel costs gross of capitalised costs amounted to € 32,678 thousand and was mainly influenced by higher personnel costs recorded in the Water Segment (+ € 21,211 thousand, of which € 15,734 thousand related to consolidation of AdF as of October 2019). There were also increases in the Environment Segment (+ € 5,727 thousand) and in the Overseas Segment (+ € 2,363 thousand), which were also mainly related to the change in the scope of consolidation.

With regard to capitalised costs, there was an increase of € 14,303 thousand primarily driven by the increase in capitalised costs in the Water Segment (+ € 13,115 thousand). The increase stems mainly from the efficiency of company processes to meet the greater commitment required by the management of the service and the need to renew corporate assets.

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

	End-of-period composition			
	31/12/2020	31/12/2019	Change	Change %
Environment Business	577	422	155	36.7%
Commercial and Trading Business	425	467	(42)	(9.0%)
Overseas Business	734	1,202	(468)	(38.9%)
Water Business	3,424	3,174	250	7.9%
Energy Infrastructure Business	1,367	1,353	14	1.0%
Engineering Business	423	293	130	44.4%
Corporate Business	700	665	35	5.3%
Total	**7,650**	**7,576**	**74**	**1.0%**

	Average number of employees			
	31/12/2020	31/12/2019	Change	Change %
Environment Business	619	389	230	59.0%
Commercial and Trading Business	373	470	(97)	(20.6%)
Overseas Business	987	814	173	21.2%
Water Business	3,292	3,094	198	6.4%
Energy Infrastructure Business	1,353	1,354	(1)	(0.1%)
Engineering Business	373	281	92	32.9%
Corporate Business	700	668	32	4.7%
Total	**7,697**	**7,070**	**626**	**8.9%**

4. Costs of materials and overheads – € 1,986,927 thousand

This item shows an overall increase of € 50,896 thousand (+ 2.6%) compared to 31 December 2019.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Electricity, gas and fuel	1,350,634	1,370,098	(19,464)	(1.4%)
Materials	75,316	58,674	16,642	28.4%
Services and contract work	379,293	343,630	35,663	10.4%
Concession fees	64,399	59,214	5,184	8.8%
Cost of leased assets	24,321	22,981	1,340	5.8%
Other operating costs	92,963	81,433	11,530	14.2%
Costs of materials and overheads	**1,986,927**	**1,936,030**	**50,896**	**2.6%**

Note that the items "Electricity, gas and fuel" and "Services and contract work" at 31 December 2019 present a reclassification carried out to better represent the energy margin.

ELECTRICITY, GAS AND FUEL

This item includes:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Electricity and gas purchases and transportation	1,328,630	1,343,580	(14,950)	(1.1%)
White certificates	16,618	20,881	(4,263)	(20.4%)
Green certificates and CO_2 rights	5,387	5,638	(251)	(4.5%)
Electricity, gas and fuel costs	**1,350,634**	**1,370,098**	**(19,464)**	**(1.4%)**

The costs of purchasing and transporting energy decreased by € 14,950 thousand, mainly due to the effect of less electricity being distributed (- 7.6%). This reduction is in line with that recognised in the revenues.

MATERIALS

The cost of materials amounted to € 75,316 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Purchase of materials	157,584	116,351	41,233	35.4%
Change in inventories	(21,156)	(6,169)	(14,987)	n.s.
Change in inventories	**136,428**	**110,182**	**26,246**	**23.8%**
Costs capitalised	(61,112)	(51,508)	(9,604)	18.6%
Materials	**75,316**	**58,674**	**16,642**	**28.4%**

The purchases of materials net of inventories and capitalised costs show a € 16,642 thousand increase, mainly attributable to the Water Segment, in particular to Gori for € 9,486 thousand and to the line by line consolidation of AdF for € 1,565 thousand, and finally to the Environment Segment for + € 3,645 thousand, above all due to the changes in the scope of consolidation (+ € 3,406 thousand).

SERVICES AND CONTRACT WORK

These amount to € 379,293 thousand and increased by a total of € 35,663 thousand (the figure was € 343,630 thousand at 31 December 2019). They can be represented as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Technical and administrative services (including consulting and collaborations)	60,890	58,729	2,161	3.7%
Contract work	67,001	57,056	9,946	17.4%
Disposal and transport of sludge, slag, ash and waste	66,935	52,261	14,674	28.1%
Other services	53,154	61,602	(8,448)	(13.7%)
Personnel services	18,089	17,346	743	4.3%
Insurance costs	12,027	10,080	1,947	19.3%
Electricity, water and gas consumption	23,901	29,907	(6,006)	(20.1%)
Internal use of electricity	6,950	6,159	791	12.8%
Intragroup services and otherwise	14,607	2,012	12,595	n.s.
Telephone and data transmission costs	5,985	5,802	183	3.2%
Postal expenses	3,398	3,641	(244)	(6.7%)
Maintenance fees	17,251	11,643	5,608	48.2%
Cleaning, transport and porterage costs	6,565	4,308	2,257	52.4%
Advertising and sponsorship costs	11,220	10,826	394	3.6%
Corporate bodies	3,526	2,785	741	26.6%
Meter readings	3,751	4,024	(273)	(6.8%)
Bank charges	2,896	2,984	(88)	(2.9%)
Travel and accommodation expenses	889	2,123	(1,234)	(58.1%)
Seconded personnel	42	(6)	48	n.s.
Printing expenses	216	347	(131)	(37.7%)
Services and contracts	**379,293**	**343,630**	**35,663**	**10.4%**

The increase is due to a number of items with an opposing sign:

- the change in the scope of consolidation for € 44,817 thousand (of which AdF € 23,888 thousand);
- the increase in costs incurred for disposal and transport of sludge (+ € 5,876 thousand with the same scope), referring in particular to Acque Industriali and Gori;
- the lower costs for other services (- € 15,063 thousand), mainly relative to Gori for € 14,088 thousand.

CONCESSION FEES

Concession fees totalled € 64,399 thousand (+ € 5,184 thousand compared to 31 December 2019) and referred to companies that manage Area Authorities under concession in Lazio and Campania.

The following table shows a breakdown by Company, compared to 2019.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Acea Ato 2	49,805	49,005	800	1.6%
Acea Ato 5	3,551	3,685	(134)	(3.6%)
Gori	2,408	2,413	(4)	(0.2%)
Pescara Distribuzione Gas	2,600	2,275	325	14.3%
Gesesa	380	384	(4)	(1.0%)
AdF	4,811	1,133	3,679	n.s.
Servizi Idrici Integrati	331	0	331	n.s.
Alto Sangro Distribuzione Gas	114	0	114	n.s.
Notaresco Gas	30	0	30	n.s.
Other	369	321	48	15.1%
Concession fees	**64,399**	**59,214**	**5,184**	**8.8%**

The increase refers mainly to the change in the scope of consolidation for € 4,478 thousand. For other information regarding the concessions, reference should be made to the information in the specific section entitled *Service concession report*.

COST OF LEASED ASSETS

This item amounted to € 24,321 thousand, up € 1,340 thousand compared to last year (€ 22,981 thousand at 31 December 2019), mainly due to changes in the scope of consolidation. In line with IFRS 16, this item contains costs relating to short-term leases and leases of modest value.

OTHER OPERATING COSTS

These amounted to € 92,963 thousand at 31 December 2020, an increase of € 11,530 thousand. The table below provides details of this item by type:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Taxes and duties	13,270	14,761	(1,491)	(10.1%)
Damages and outlays for legal disputes	10,021	8,871	1,150	13.0%
Contributions paid and membership fees	5,547	4,593	954	20.8%
Losses on receivables	344	231	112	48.5%
General expenses	11,210	14,999	(3,789)	(25.3%)
Contingent liabilities	52,571	37,978	14,594	38.4%
Other operating costs	**92,963**	**81,433**	**11,530**	**14.2%**

The change is attributable, for € 2,206 thousand, to the change in the scope of consolidation, with the remaining part attributable to Acea Ato 2, referring to: 1) tariff components for the years 2018 and 2019 which were recognised, when preparing the 2020-2021 tariff, in an amount inferior to that recognised in the respective Financial Statements and 2) adjustments made to revenues deriving from lower volumes ascertained with reference to the years 2018 and prior.

5. Net income/(costs) from management of risk commodities – € 330 thousand

At 31 December 2020 these amount to € 330 thousand and represent the net balance of the valuations of derivatives taken out to hedge Acea Energia's trading operations.

6. Income/(costs) from equity investments of a non-financial nature – € 30,319 thousand

This item represents the consolidated result according to the equity method that is included among the EBITDA components of companies previously consolidated using the proportionate method.

The breakdown of this item is detailed below:

€ thousand	31/12/2020	31/12/2019	Change	Change %
EBITDA	126,960	144,057	(17,097)	(11.9%)
Amortisation, depreciation, impairment and provisions	(81,649)	(79,586)	(2,063)	2.6%
Financial operations	(3,292)	(7,997)	4,705	(58.8%)
Total profit/(loss) on equity investments	(4)	(5)	1	(13.4%)
Taxes	(11,695)	(15,102)	3,406	(22.6%)
Income from equity investments of a non-financial nature	**30,319**	**41,367**	**(11,048)**	**(26.7%)**

EBITDA for these companies fell by € 17,097 thousand, mainly as an effect of changes in the scope of consolidation.

The companies' assessments are detailed below:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Publiacqua	10,589	16,268	(5,679)	(34.9%)
Acque Group	12,580	12,301	278	2.3%
Acquedotto del Fiora	0	3,650	(3,650)	(100.0%)
Umbra Acque	2,240	2,142	98	4.6%
Nuove Acque e Intesa Aretina	762	679	83	12.2%
Geal	810	1,182	(373)	(31.5%)
Ingegnerie Toscane	2,438	3,033	(596)	(19.6%)
Ecomed (*in liquidation*)	(7)	(2)	(5)	250.3%
Servizi Idrici Integrati	602	984	(382)	100.0%
Azul	0	1,130	(1,130)	(100.0%)
Energia	315	0	315	n.s.
Belaria	(8)	0	(8)	n.s.
Total	**30,319**	**41,367**	**(11,048)**	**(26.7%)**

7. Net write-downs (write-backs) of trade receivables – € 79,442 thousand

This item shows an increase of€ 17,745 thousand compared to the previous year. The change in the scope of consolidation accounts for € 2,833 thousand, mainly relative to AdF (€ 2,531 thousand). The rest of the increase mainly refers to *areti*, as a consequence of the positive recognition the previous year of the effects deriving from the 27 December 2019 issuing of Resolution 568/2019/R/eel which called for the recovery of the portion relative to network tariffs, similar to the model used to recognise uncollected general system charges.

8. Depreciation, amortisation and provisions – € 541,042 thousand

Compared to 2019, there was an increase of € 83,666 thousand. The details are as follows:

AMORTISATION AND DEPRECIATION

The € 88,700 thousand increase in depreciation and amortisation breaks down as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Depreciation	157,778	147,276	10,503	7.1%
Amortisation	336,446	259,649	76,798	29.6%
Impairment charges	4,032	2,633	1,400	53.2%
Depreciation/amortisation	**498,257**	**409,557**	**88,700**	**21.7%**

The increase is due to the change in the scope of consolidation of € 37,643 thousand, with AdF representing € 20,814 thousand. Also of note is the increase in amortisation and depreciation of *areti* for € 15,361 thousand, partly due to the acceleration of depreciation (started at year-end 2019) of first generation electrical meters according to the swap plan for the installation of second generation meters.
It should be noted that the item relating to intangible amortisation also includes the effect deriving from the application of IFRS 16, which as at 31 December 2020 amounted to € 14,253 thousand. The losses in value refer to the write-down of the assets of Acea Ato 2 for € 3,837 thousand.

PROVISIONS

As of 31 December 2020, net sums released due to surplus, appropriation reserves total € 42,785 thousand and are divided by type:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Legal	2,812	4,376	(1,563)	(35.7%)
Taxes	554	721	(167)	(23.1%)
Regulatory risks	5,546	7,329	(1,783)	(24.3%)
Contributory risks	22	417	(395)	(94.7%)
Procurement and supplies	1,948	691	1,257	181.8%
Insurance deductibles	2,829	2,993	(164)	(5.5%)
Other risks and charges	6,199	3,512	2,687	76.5%
Total provision for risks	**19,912**	**20,039**	**(127)**	**(0.6%)**
Early retirements and redundancies	27,997	27,235	762	2.8%
Post mortem	29	17	12	70.7%
Charges towards others	1,772	6,937	(5,165)	(74.5%)
Total provisions	**49,710**	**54,227**	**(4,517)**	**(8.3%)**
Release of provisions	**(6,925)**	**(6,408)**	**(517)**	**8.1%**
Total	**42,785**	**47,819**	**(5,034)**	**(10.5%)**

The most significant allocations made during the year are appropriations for:

- costs for redundancies and mobility for € 27,997 thousand: this represents the sum necessary to handle the personnel reduction plan through the adoption of a voluntary redundancy and facilitated retirement programs for Group personnel (€ 2,456 thousand) and for provisioning relative to "*Isopensione*" (€ 25,541 thousand);
- regulatory risks for € 5,546 thousand, of which € 3,378 thousand relating to penalties for continuity of service and € 2,098 thousand relating to Acea Produzione;
- legal risks (€ 2,812 thousand) mainly allocated by the Parent Company (€ 998 thousand);
- other risks for € 6,199 thousand (+ € 2,687 thousand) due to the provision set aside by areti for € 1,574 thousand related to charges for new road cable regulations, € 997 thousand relative to Acea energia for disputes with agents, € 1,311 thousand related to AdF and € 1,772 thousand relative to Gori;
- other charges (€ 1,772 thousand) to cover the differential between costs and revenues linked to areti's EEC obligations for 2020 for € 872 thousand and relative to Acea Energia (€ 900 thousand) mainly to cover commitments to ARERA as a reimbursement to the system for the procedure aimed at ascertaining violations of the regulation of the financial items relating to electricity destined for Vatican City.

Further information is provided in note 27 and in the section *Update on major disputes and litigation*.

9. Financial income – € 10,046 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Interest on financial receivables	352	442	(91)	(20.5%)
Bank interest income	97	162	(66)	(40.4%)
Interest on trade receivables	3,836	8,165	(4,330)	(53.0%)
Interest on other receivables	1,075	1,373	(298)	(21.7%)
Financial income from discounting to present value	5,426	546	4,880	n.s.
Financial income from measurement of fair value hedges	(939)	(308)	(631)	n.s.
Other income	200	289	(89)	(30.8%)
Financial income	**10,046**	**10,670**	**(624)**	**(5.9%)**

Financial income amounted to € 10,046 thousand, a slight decrease of € 624 thousand compared to the previous year.

10. Financial costs – € 98,064 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Costs (income) on Interest Rate Swaps	6,246	5,213	1,033	19.8%
Interest on bonds	55,577	64,453	(8,876)	(13.8%)
Interest on medium/long-term borrowings	16,841	15,777	1,065	6.7%
Interest on short-term debt	2,115	1,605	510	31.8%
Default interest and interest on deferred payments	1,364	1,241	124	10.0%
Interest cost net of actuarial gains and losses	892	1,592	(700)	(44.0%)
Factoring fees	5,438	5,583	(146)	(2.6%)
Interest on payments by instalment	3	447	(444)	(99.3%)
Discounting charges	4,000	4,299	(299)	(7.0%)
IFRS 16 financial charges	2,726	2,018	708	35.1%
Other financial charges	2,994	2,754	240	8.7%
Interest payable to end users	820	1,031	(211)	(20.4%)
Foreign exchange gains (losses)	(952)	76	(1,028)	n.s.
Financial costs	**98,064**	**106,089**	**(8,025)**	**(7.6%)**

Financial costs amounted to € 98,064 thousand, down € 8,025 thousand compared to 31 December 2019. The average overall all-in cost of the Acea Group's debt at 31 December 2020 stood at 1.74% against 2.15% in 2019.

With regard to financial costs related to borrowings, the following changes should be noted:

- interest on bond loans fell by € 8,876 thousand compared to 31 December 2019, due to a lack of interest accrued on the bond loan repaid in February 2020, partially offset by interest on the new issue which also occurred in February 2020, as well as that of May 2019;
- interest on medium/long-term indebtedness increased by € 1,065 thousand mainly due to the full consolidation of AdF, partially mitigated by the repayment of a loan by areti;
- net foreign exchange gains and losses reduced by € 1,028 thousand compared to 31 December 2019.

11. Income and costs from equity investments – € 14,243 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Income from equity investments in associates	14,268	2,592	11,676	n.s.
(Costs) of shares in related companies	(24)	(7)	(17)	n.s.
(Costs) and revenue from shares	**14,243**	**2,585**	**11,659**	**n.s.**

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies primarily Agua Azul Bogotà (€ 255 thousand). It should also be noted that following the acquisitions in 2019, Business Combination was closed, which led to the recording of income (bargain) based on the acquisition method totalling € 14,012 thousand and mainly in relation to AdF and some companies in the photovoltaic sector.

12. Income tax – € 134,648 thousand

Estimated tax expenses for the period were € 134,648 thousand, compared to € 123,213 thousand in the same period of the previous year. The breakdown is essentially as follows:

- current taxes: € 149,309 thousand (€ 123,694 thousand at 31 December 2019);
- net deferred tax liabilities/(assets): - € 14,662 thousand (- € 481 thousand at 31 December 2019).

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

€ thousand	2020	%	2019	%
Profit before tax from continuing and discontinued operations	461,205		430,390	
Expected tax charge at 27.5% on profit before tax	110,689	24.0%	103,294	24.0%
Permanent differences	(11,279)	(2.4%)	(14,050)	(3.3%)
IRES for the period	99,410	21.6%	89,243	20.7%
IRAP (regional income tax)	35,238	7.6%	33,970	7.9%
Total taxes	**134,648**	**29.2%**	**123,213**	**28.6%**

The tax rate for the financial year is 29.2% (28.6% at 31 December 2019).

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to Acea by the weighted average number of Acea shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,548 thousand as at 31 December 2020. Diluted profit per share is calculated dividing profit for the financial year attributable to Acea by the weighted average number of Acea shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 31 December 2020 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.

Earnings per share, determined in accordance with IAS 33, are shown below:

€ thousand	31/12/2020	31/12/2019	Change
Net profit attributable to the Group (€/000)	284,948	283,686	1,262
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	284,948	283,686	1,262
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
basic (B)	212,964,900	212,964,900	0
basic (C)	212,964,900	212,964,900	0
Earnings per share (€)			
basic (A/B)	**1.33801**	**1.3321**	**0.0059**
diluted (A/C)	**1.33801**	**1.3321**	**0.0059**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At 31 December 2020 these amounted to € 9,673,614 thousand (€ 8,954,416 thousand at 31 December 2019), recording an increase of € 719,198 thousand or 8.0% from the previous year; they are broken down as follows.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Non-current assets	7,311,004	6,501,429	809,575	12.5%
Current assets	2,362,610	2,452,987	(90,376)	(3.7%)
Non-current assets held for sale	0	0	0	n.s.
Total assets	**9,673,614**	**8,954,416**	**719,198**	**8.0%**

14. Tangible fixed assets – € 2,786,645 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 81.6% of the tangible fixed assets, € 2,275,254 thousand. The remaining 18.4% refer to:

- facilities belonging to the Environment Segment companies for € 256,430 thousand;
- infrastructures related to the Parent Company for € 96,498 thousand;
- infrastructures related to the Energy Segment for € 110,727 thousand;
- infrastructure related to the Overseas Segment for € 31,820 thousand;
- facilities belonging to the Engineering and Services Area for € 14,355 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Fixed assets under construction	Assets to be relinquished	Total tangible fixed assets
Historical cost 31/12/2019	**548,506**	**3,309,698**	**918,246**	**162,235**	**66,097**	**8,147**	**5,012,929**
Assets destined for sale	0	0	0	0	0	0	0
Investments/ acquisitions	22,453	158,657	59,856	23,851	69,049	791	334,656
Disinvestments	(706)	(10,058)	(17,891)	(1,436)	(8,091)	0	(38,182)
Changes in scope of consolidation	1,931	105,630	4,591	2,512	22,593	0	137,257
Other changes	787	(12,763)	(3,176)	(162)	(56,489)	94	(71,710)
Historical cost 31/12/2020	**572,969**	**3,551,165**	**961,626**	**187,000**	**93,160**	**9,031**	**5,374,950**
Accumulated depreciation at 31/12/2019	**(152,544)**	**(1,801,744)**	**(315,062)**	**(129,172)**	**0**	**(4,921)**	**(2,403,444)**
Assets destined for sale					0		0
Depreciation/ amortisation and impairment charges	(11,689)	(87,580)	(44,699)	(13,165)	0	(587)	(157,720)
Disinvestments	400	450	14,607	1,145	0		16,602
Change in scope of consolidation	(407)	(33,872)	(3,036)	(1,933)	0		(39,248)
Other changes	169	(4,171)	(1,703)	1,210	0	(0)	(4,495)
Accumulated depreciation at 31/12/2020	**(164,071)**	**(1,926,917)**	**(349,893)**	**(141,916)**	**0**	**(5,508)**	**(2,588,305)**
Net value 31/12/2020	**408,899**	**1,624,248**	**611,732**	**45,084**	**93,160**	**3,523**	**2,786,645**

Investments increased compared to last year (€ 319,258 thousand at 31 December 2019) and amounted to € 334,656 thousand.
They refer mainly to those made by:

- *areti* for € 232,333 thousand for the renewal and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control equipment;
- Acea Ambiente for € 17,946 thousand for investments relating

to plant improvements at San Vittore del Lazio, as well as works carried out at the plants in Aprilia and Sabaudia and work at the landfill in Orvieto;
- Acea Produzione for € 14,364 thousand, mainly for work at the Tor di Valle and Montemartini thermal power stations, the requalification work on the substations of the Salisano and Orte Power Stations and the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome. The investments made by Acea Solar refer to the construction of photovoltaic plants on both agricultural and industrial soils;
- Acea for € 5,351 thousand for extraordinary maintenance works on the premises used for company activities and for hardware-related investments within the Acea2.0 project.

The change in the scope of consolidation increased tangible fixed assets by € 98,009 thousand and mainly refers to the acquisitions of the period in the Water Segment (€ 79,915 thousand), the Engineering and Services Segment (€ 8,538 thousand) and the Environment Segment (€ 6,699 thousand).
Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets.

15. Real estate investments – € 2,372 thousand

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

16. Goodwill – € 223,713 thousand

At 31 December 2020 goodwill amounted to € 223,713 thousand (€ 182,902 thousand at 31 December 2019).
The change compared to the previous year refers to the recognition of goodwill arising from the consolidation of the companies acquired during 2020 (for more information, please refer to the section on the Business Combination). Goodwill recognised after a business combination is attributed to the individual CGU (the Group has identified as CGUs the individual companies included in the consolidated Financial Statements, with the exceptions of the companies Acea Ambiente SpA, Acea Produzione SpA, Ecogena S.r.l., Solaria Real Estate S.r.l., Trinvolt S.r.l., iFV Energy S.r.l. and KT4 S.r.l. for which the CGUs correspond with the production plants held by these latter). The table below shows the goodwill per CGU aggregated according to the main activity of the companies.

€ thousand	31/12/2019	Acquisitions	Impairments/ revaluations	Other changes	31/12/2020
Integrated Water Service management	0	3,689	0	(938)	2,751
Network management	792	7,322	0	(174)	7,939
Sale of electricity and gas	46,982	1,433	0	0	48,414
Intercompany services	93	0	0	1	94
Renewable energy plants	101,774	2,218	0	(9,225)	94,767
Waste-to-energy and composting plants	11,138	0	0	0	11,138
Liquid waste treatment and sludge disposal	6,033	(1,104)	0	(205)	4,724
Overseas	(1)	5,556	0	1	5,556
Plastic and paper recycling services	16,091	14,901	0	6	30,998
Engineering services	0	17,331	0	0	17,331
Goodwill	**182,901**	**51,346**	**0**	**(10,535)**	**223,713**

In order to verify the book value of the CGUs, as part of the impairment procedure the Group provides an estimate of an interval relating to the recoverable value of the assets in terms of value in use ("VIU"), in continuity with the previous year, i.e. using the Discounted Cash Flow (DCF) method, which identifies the ability to generate cash flows as the fundamental element for the purposes of assessing the entity of reference. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital is calculated.
The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each CGU subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors (VO), updated when necessary, to take into account significant events occurring between the date of approval for the business plan and that of the Financial Statements by the Acea SpA Board of Directors, and the value of the Terminal Value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).
The main assumptions which determined cash flows and test results were the following:
- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the Free Market were developed on the basis of business considerations consistent with the energy scenario developed in the business plan;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

Terminal Value is calculated:
- for Acea Produzione (Energy Infrastructure – Generation Area): considering the contribution to the cash flows of the various plants until the end of the hydroelectric concessions and the useful life of the plants;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;
- for *areti* (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and net working capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business. Given the impacts of Covid-19 and the consequent economic policies adopted by central banks to limit the impacts of the pandemic, which created a significant reduction in interest rates, especially during the second half of 2020, it was decided to lengthen the observation period so as to "neutralise" this reduction. Consequently, the WACCs are substantially in line with those used for the previous impairment test.

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

Main activity	Recoverable value	WACC	Terminal Value	Cash flow period
Integrated Water Service management	value in use	5.2%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Network management	value in use	6.3%	Regulatory Asset Base (RAB)	Until 2024
Sale of electricity and gas	value in use	5.8%	Perpetuity without real growth	
Intercompany services	value in use	5.2%	Estimated to be equal to the NIC of the plan's last year.	Based on company budgets and projections that represent the best available and achievable estimates of the main assumptions about the company's operations with respect to the equity investments examined and the expected results attributable to them.
Renewable energy plants	value in use	5.2%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Waste-to-energy and composting plants	value in use	5.2%	NIC at the end of the plants' useful life	Plants' useful life
Liquid waste treatment and sludge disposal	value in use	5.2%	NIC at the end of the plants' useful life	Plants' useful life
Engineering and Services	value in use	5.2%	NIC at the end of the plants' useful life	End of Water Segment facilities concession
Overseas	value in use	6.4%/11%	NIC at the end of the concession	End of the concession
Plastic recycling services	value in use	5.2%	NIC at the end of the plants' useful life	Plants' useful life

To support the analysis deriving from the test, sensitivity analysis was done to identify the impact on recoverable values of goodwill based on variations in specific assumptions, so as to identify the main break-even assumptions. Based on this analysis, hypotheses regarding changes in discount rates, growth rates or a reduction in profitability were found to be unrealistic and/or immaterial with the exception of the CGUs relative to Acquedotto del Fiora, Acea Produzione, Solaria Rea Estate, Marche Solar and PF Power.

With reference to Acea Ato 5, note that on 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 – Southern Lazio (hereafter, OTAA 5), approved the Tariff Structure for the regulatory period 2020-2023 with Resolution 1/2021. This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of Resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to operating costs and the tariff multiplier.

With reference to operating costs note that the lack of recognition by OTAA 5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA 5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA 5 on 10 March 2021.

Relative to the tariff multiplier note that the Tariff Structure approved by OTAA 5 established a tariff multiplier with the following problems:

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million;
- the amount of adjustments inserted by OTAA 5 in the Economic Financial Plan is not included in the formula which determines the tariff multiplier for the relevant years (2023-2024);
- the reduction in operating costs which occurred in years for which Acea Ato 5 already suffered the relative charge (costs in the Financial Statements 2018-2019, basis for tariff determination 2020-2023), leads to a financial loss of the same amount, as it is necessary to apply a tariff change, for the respective years, less than that applied as of 1 January 2020.

As a result of the approval of the 2020-2023 tariff provisions, the Directors of Acea Ato 5 acknowledged a financial discrepancy significant enough to raise serious doubts about the subsidiary as a going concern.

In this regard and in light of the forthcoming approval of the subsidiary's draft annual Financial Statements, the Company Directors launched a review of the previously approved 2021 budget and the related 2020-2024 Plan in order to implement all the appropriate measures to re-establish the financial stability needed to confirm the assumption of the business as a going concern.

The objectives of these actions include, among other things:

- compliance with payment schedules – in terms of the previous debt position, already at the end of 2020 the company had signed repayment plans for previous debts, agreeing to payments over timeframes exceeding 12 months with the counterparties (both third parties and infragroup);
- intensifying actions intended to reduce collection times and to improve the collection percentage for receivables recognised in the Financial Statements;
- pursuing new short term credit lines to support working capital and, therefore, day to day operations;
- adjusting investments so as to guarantee both continuity of service and financial sustainability for the commitments that the company may take on;
- reducing operating costs proportionally to lower revenues coming from the Economic Financial Plan approved by the OTAA 5 Conference of Mayors;
- possible activation of initiatives which can be implemented in areas deemed expedient to obtain an adjustment of tariffs.

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

€ thousand		Achievement of target cost efficiency (100% = € 6.0 million)							
		100%	90%	80%	70%	67%	60%	50%	40%
Target on tariff revision (100% = € 55.0 million)	0%	753	(2,828)	(6,409)	(9,989)	(11,183)	(13,570)	(17,151)	(20,732)
	20%	1,882	(1,699)	(5,279)	(8,860)	(10,054)	(12,441)	(16,002)	(19,603)
	40%	5,522	1,942	(1,639)	(5,220)	(6,414)	(8,801)	(12,382)	(15,962)
	61%	11,942	8,361	4,780	1,199	6	(2,832)	(5,962)	(9,543)
	80%	20,335	16,754	13,174	9,593	8,399	6,012	2,431	(1,150)
	100%	31,508	27,927	24,346	20,765	19,572	17,185	13,604	10,023

17. Concessions and rights on infrastructure – € 2,835,766 thousand

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

- the values of concessions received from the Municipalities (€ 159,438 thousand);
- the overall amount of all tangible infrastructures for the management of water services (€ 2,642,451 thousand), in accordance with IFRIC 12.

Concessions refer for € 95,494 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the Integrated Water Service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between Acea and Roma Capitale and the term of the Management Agreement signed by the Mayors in OTA 2. The balance is completed by the thirty-year concession for the management of the Integrated Water Service of the city of San Pedro Sula in Honduras for a total amount of € 6,595 thousand and the Consorcio Agua Azul for € 12,436 thousand.

Capital expenditure for the period relating to **Infrastructure rights** amounted to € 416,144 thousand and mainly refers to:

- Acea Ato 2 for € 310,827 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- Acea Ato 5 for € 36,630 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- Gori for € 47,053 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service.

The item "**Other changes**" mainly comprises reclassifications for the commissioning of the assets.

18. Intangible fixed assets – € 313,232 thousand

The item has a net book value as at 31 December 2020 of € 313,232 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Fixed assets under construction	Total intangible fixed assets
31/12/2019	**150,843**	**41,756**	**29,759**	**222,358**
Depreciation/amortisation and impairment charges	(76,093)	(23,360)	(90)	(99,543)
Investments/acquisitions	83,702	48,315	24,152	156,169
Disinvestments	(363)	(140)	(487)	(989)
Changes in scope of consolidation	2,829	28,268	(2,299)	28,798
Other changes	10,391	6,138	(10,090)	6,439
Net value 31/12/2020	**171,309**	**100,978**	**40,945**	**313,232**

The increase over the previous year, amounting to € 90,874 thousand, arises from capital expenditure incurred during the period (€ 156,169 thousand), net of amortisation and reductions in value (€ 99,543 thousand) and reclassifications.
Investments for the period are mainly attributable to:

- areti for € 50,227 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 42,074 thousand for the cost of acquiring new customers in accordance with IFRS 15 (€ 24,757 thousand), IT implementation projects (€ 13,593 thousand) and cloud licences on which the new Customer Relationship Management system (€ 3,990 thousand) is being developed;
- the Parent Company for € 23,123 thousand for the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management.

19. Right of use – € 73,660 thousand

This item includes rights to use the assets of others which are recognised as leased assets and amortised over the duration of the contracts in line with the IFRS 16 international standard. As at 31 December 2020 the net book value of these assets is € 73,660 thousand and the nature of these assets can be represented as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Land and buildings	57,362	48,655	8,707	17.89%
Cars and motor vehicles	4,215	5,005	(789)	(15.77%)
Machinery and equipment	9,898	7,345	2,553	34.76%
Distribution cabins	1,999	2,176	(176)	(8.11%)
Other	186	217	(31)	(14.30%)
Total	**73,660**	**63,397**	**10,263**	**16.19%**

The book value of the assets consisting of the right of use as at 31 December 2020 for each class of underlying asset and the related changes in the year are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	48,655	5,005	7,345	2,176	217	63,397
Acquisitions	11,152	104	2,234	0	0	13,489
New contracts	14,016	2,320	3,159	71	0	19,567
Remeasurement	(7,354)	76	(1,183)	(51)	(29)	(8,540)
Derecognition	0	0	0	0	0	0
Reclassification	3	(129)	0	0	126	0
Depreciation/ amortisation	(9,110)	(3,161)	(1,657)	(197)	(128)	(14,253)
Total	**57,362**	**4,215**	**9,898**	**1,999**	**186**	**73,660**

With regard to extension or termination options, it should be noted that for regulated businesses, with regard to contracts relating to concession activities, the estimated term for contract renewals is the year of the end of the concession itself.
There are also no guarantees on residual value, variable payments and leases not yet signed to which the Group has committed itself for a significant amount.

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the Income Statement item "Leases and rentals" in line with the requirements of IFRS 16 and in continuity with previous years.

20. Equity investments in unconsolidated subsidiaries and associates – € 276,362 thousand

Company name	31/12/2019	Changes in scope of consolidation	Gains/ losses from valuation of Shareholders' equity	Decrease for dividends	Currency translation differences	Changes with direct effect on Shareholders' equity	OCI	Other changes/ reclassifications	31/12/2020
Acque	80,002	0	11,751	(896)	0	0	(312)	0	90,545
Acque servizi	4,362	0	828	0	0	0	(81)	0	5,110
Consorcio Agua Azul	7,981	(7,981)	0	0	0	0	0	0	0
Geal SpA	7,968	0	810	(960)	0	0	(6)	0	7,812
Intesa Aretina	507	0	(102)	(452)	0	0	0	48	0
Nuove Acque	11,988	0	864	0	0	0	6	0	12,858
Publiacqua	115,756	0	10,589	(14,912)	0	0	(62)	0	111,371
Servizi Idrici Integrati	8,046	(8,648)	602	0	0	0	0	0	0

(follows)

Company name	31/12/2019	Changes in scope of consolidation	Gains/ losses from valuation of Shareholders' equity	Decrease for dividends	Currency translation differences	Changes with direct effect on Shareholders' equity	OCI	Other changes/ reclassifications	31/12/2020
Umbra Acque	17,075	0	2,240	0	0	0	20	0	19,334
Ingegnerie Toscane	11,586	0	2,438	(652)	0	0	(15)	0	13,357
Energia	0	24,530	315	(11,976)	0	0	0	0	12,869
Other equity investments	2,769	6	240	0	68	0	0	23	3,106
Equity investments	**268,039**	**7,908**	**30,575**	**(29,848)**	**68**	**0**	**(450)**	**71**	**276,362**

The main changes that occurred during the period refer primarily to the valuations of the companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 30,575 thousand. These valuations are mainly reflected in the item "Income/(costs) from equity investments of a non-financial nature" and the rest in the item "Income/costs from equity investments". Note that the decrease for distribution of dividends totalling € 29,848 thousand. The change in the scope of consolidation (+ € 7,908 thousand) refers to the equity method consolidation of Energia (+ € 24,530 thousand) net of the line by line consolidation of Consorcio Agua Azul (- € 7,981 thousand) and S.I.I. (- € 8,648 thousand).

31/12/2020 € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	NFP
Acque	220,854	35,026	(124,786)	(37,410)	(78,282)	14,023	(88,598)
Intesa Aretina	11,866	375	0	(200)	0	1,350	205
Belaria	4,134	2,857	(6,956)	(43)	0	(8)	(4,124)
Ecomed	3	373	(20)	(419)	(0)	(7)	163
Energia	4,905	1,428	0	(498)	(1,431)	315	720
Geal	18,320	6,858	(10,783)	(6,084)	(8,884)	836	(4,900)
Ingegnerie Toscane	1,608	10,893	(668)	(4,649)	(12,276)	2,438	916
Nuove Acque	17,932	5,141	(8,845)	(2,130)	(9,108)	864	(4,377)
Publiacqua	222,943	51,467	(112,541)	(48,585)	(104,352)	11,854	(69,947)
Acque Servizi	774	7,511	(798)	(3,288)	(12,462)	828	522
Umbra Acque	63,919	15,084	(23,739)	(37,346)	(35,214)	2,725	(21,006)
Total	**567,259**	**137,013**	**(289,135)**	**(140,652)**	**(262,007)**	**35,219**	**(190,426)**

31/12/2019 € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	NFP
Azul	4,423	3,010	(78)	(174)	(3,409)	1,130	2,665
Intesa Aretina	11,192	381	0	(518)	(266)	(441)	208
Nuove Acque	18,432	6,003	(9,647)	(3,179)	(9,181)	1,120	(4,314)
Ecomed	3	374	(20)	(405)	0	(2)	163
Geal	16,887	5,220	(9,535)	(4,139)	(9,647)	1,182	(3,957)
Ingegnerie Toscane	4,924	13,321	(3,018)	(7,108)	(14,284)	3,033	(3,302)
Acque Servizi	1,438	6,912	(1,453)	(3,210)	(11,176)	589	(334)
Acque	209,790	44,095	(141,898)	(30,062)	(81,583)	11,712	(86,982)
Publiacqua	208,127	56,114	(69,425)	(76,885)	(109,364)	16,268	(53,377)
Servizi Idrici Integrati	22,260	11,638	(8,956)	(16,783)	(12,078)	984	(9,440)
Umbra acque	63,065	13,372	(25,323)	(36,464)	(36,249)	2,142	(18,252)
Total	**560,541**	**160,440**	**(269,347)**	**(178,928)**	**(287,237)**	**37,717**	**(176,922)**

21. Other equity investments – € 3,100 thousand

These total € 3,100 thousand (they were € 2,772 thousand at 31 December 2019) and are composed of investments in Shareholder securities that do not represent control, association or joint control.

22. Deferred tax assets – € 235,012 thousand

At 31 December 2020, deferred tax assets, net of deferred tax liabilities, amounted to € 235,012 thousand (€ 237,693 thousand at 31 December 2019).

Changes in deferred tax assets are essentially due to: 1) € 28,654 thousand for the provision for tax risks (€ 27,440 thousand as at 31 December 2019); 2) € 135,217 thousand to the amortisation/depreciation of tangible and intangible assets (€ 125,925 thousand as at 31 December 2019); 3) € 83,339 thousand for the impairment of receivables (€ 81,586 thousand as at 31 December 2019); 4) € 12,362 thousand to defined benefit and defined contribution plans (€ 13,413 thousand as at 31 December 2019); 5) € 9,923 thousand to fair value of commodities and other financial instruments (€ 8,599 thousand as at 31 December 2019).
The deferred taxes allocation fund includes in particular the deferred taxes tied to differences existing between the economic-technical amortisation portions applied to depreciable assets and tax portions. Uses in the period totalling € 13,285 thousand and allocations amounting to € 7,940 thousand contributed to this item.
The following table details the changes in this item:

	2019	Changes in 2020						2020
€ thousand	Balance	Changes in scope of consolidation	Adjustments/ reclassifications	Changes in Shareholders' equity	Uses	Rate adjustment	IRES/IRAP provisions	Balance
Prepaid taxes								
Tax losses	680	0	(293)	334	(320)	0	0	401
Remuneration of BoD members	20	0	0	0	(20)	0	42	42
Provisions for risks and charges	27,440	0	53	0	(11,556)	0	12,717	28,654
Impairments of receivables and equity investments	81,586	0	(20)	605	(6,617)	0	7,784	83,339
Depreciation/ amortisation	125,925	654	(14)	458	(8,336)	0	16,530	135,217
Defined benefit and defined contribution plans	13,413	109	(110)	691	(2,101)	0	361	12,362
Tax assets on consolidation adjustments	0	9	(9)	0	0	0	9	9
Fair value commodities and other financial instruments	8,599	0	5	1,393	(306)	0	232	9,923
Others	56,182	3,045	1,919	(3,487)	(8,810)	0	9,709	58,558
Total	**313,845**	**3,817**	**1,532**	**(6)**	**(38,066)**	**0**	**47,383**	**328,505**
Deferred taxes								
Depreciation/ amortisation	50,373	0	9,195	4,432	(9,979)	0	6,980	61,000
Defined benefit and defined contribution plans	717	(101)	151	(470)	(70)	0	(53)	174
Fair value commodities and other financial instruments	2,967	0	0	1,362	(196)	0	0	4,133
Others	22,095	3,459	4,699	(41)	(3,039)	0	1,013	28,186
Total	**76,152**	**3,358**	**14,044**	**5,283**	**(13,285)**	**0**	**7,940**	**93,493**
Net	**237,693**	**459**	**(12,512)**	**(5,289)**	**(24,781)**	**0**	**39,443**	**235,012**

The Group recognised deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the Financial Statements can be recovered.

22. Non-current financial assets – € 38,781 thousand

These amount to € 38,781 thousand (€ 47,202 thousand at 31 December 2019) and show a decrease of € 8,421 thousand, mainly due to the consolidation of S.I.I., which led to the elimination of the Umbriadue receivable of € 10,916 thousand.
The remaining portion refers to receivables due from Roma Capitale for investments in the Public Lighting service, such as systems improvements, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond the year 2019, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

23. Other non-current assets – € 522,360 thousand

Other non-current assets at 31 December 2020 are composed as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables due from the State	0	92	(92)	(100.0%)
Advances and deposits	1,672	1,157	515	44.5%
Other receivables, receivables from subsidiaries	1,809	394	1,415	n.s.
Long-term receivables for tariff adjustments	387,803	277,522	110,281	39.7%
Long-term receivables for regulatory lag	117,108	91,111	25,997	28.5%
Accrued income and prepayments	13,968	10,391	3,578	34.4%
Other non-current assets	**522,360**	**380,666**	**141,694**	**37.2%**

This item also includes long-term receivables for tariff adjustments for € 387,803 thousand (€ 277,552 thousand at 31 December 2019) of the water companies while € 117,108 thousand (€ 91,111 thousand at 31 December 2019) is the long-term portion of the receivables registered in *areti* for regulatory lag.

24. Current assets – € 2,362,610 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Inventories	**91,973**	**57,335**	**34,638**	**60.4%**
Trade receivables				
Receivables from customers	934,174	935,082	(907)	(0.1%)
Receivables from Parent Company	38,718	86,745	(48,027)	(55.4%)
Receivables from subsidiaries and associates	8,617	13,636	(5,020)	(36.8%)
TOTAL TRADE RECEIVABLES	**981,509**	**1,035,462**	**(53,954)**	**(5.2%)**
Other current receivables and assets	257,442	212,956	44,486	20.9%
Current financial assets	379,859	299,212	80,647	27.0%
Current tax assets	9,618	12,328	(2,710)	(22.0%)
Cash and cash equivalents	642,209	835,693	(193,484)	(23.2%)
Current assets	**2,362,610**	**2,452,987**	**(90,376)**	**(3.7%)**

24.a – Inventories

Inventories amounted to € 91,973 thousand (€ 57,335 thousand at 31 December 2019) and increased by € 34,638 thousand, due to the change in the scope of consolidation for € 7,129 thousand (mainly SIMAM for € 6,711 thousand), while the remaining increase derives from *areti* (+ € 17,763 thousand).

24.b – Trade receivables

These amounted to € 981,509 thousand, recording a decrease of € 53,954 thousand compared to 31 December 2019, when the figure was € 1,035,462 thousand.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Trade receivables	934,174	935,082	(907)	(0.1%)
Receivables from the Parent Company	38,718	86,745	(48,027)	(55.4%)
Receivables from subsidiaries and associates	8,617	13,636	(5,020)	(36.8%)
Total trade receivables	**981,509**	**1,035,462**	**(53,954)**	**(5.2%)**

Trade receivables

These amounted to € 934,174 thousand, recording an increase of € 907 thousand compared to 31 December 2019.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables due from end users for bills issued	382,956	347,984	34,971	10.0%
Receivables due from end users for bills to be issued	411,623	445,000	(33,378)	(7.5%)
Total receivables due from end users	**794,578**	**792,985**	**1,594**	**0.2%**
Receivables from other customers	139,536	142,037	(2,501)	(1.8%)
Other current receivables and assets	60	60	0	n.s.
Total receivables	**934,174**	**935,082**	**(907)**	**(0.1%)**

Receivables are shown net of the provision for doubtful receivables, which at 31 December 2020 amounted to € 639,997 thousand and decreased by € 11,530 thousand compared to the previous year, mainly due to the effect of uses for the period and lower provisions due also to the effects of the sale of non-performing receivables, which amounted to € 76,150 thousand at 31 December 2020.

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

€ million	31/12/2020			31/12/2019			Change %		
	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables	Gross receivables	Provision for write-downs	Net receivables
	(a)	(b)		(c)	(d)		(a)-(c)	(b)-(d)	
Environment	59,713	(3,111)	56,601	63,378	(4,531)	58,847	(3,666)	1,420	(2,246)
Commercial and Trading	413,104	(222,102)	191,002	466,857	(279,803)	187,054	(53,753)	57,701	3,948
Water	826,276	(301,195)	525,081	799,570	(268,259)	531,311	26,706	(32,935)	(6,230)
Overseas	23,666	(15,846)	7,820	19,905	(13,639)	6,266	3,762	(2,207)	1,555
Energy Infrastructure	240,466	(94,551)	145,915	232,715	(83,332)	149,383	7,752	(11,219)	(3,468)
Engineering and Services	7,925	(1,068)	6,857	2,322	(909)	1,413	5,602	(159)	5,443
Parent Company	3,022	(2,124)	898	1,860	(1,053)	808	1,162	(1,071)	90
Total	**1,574,171**	**(639,997)**	**934,174**	**1,586,608**	**(651,527)**	**935,082**	**(12,437)**	**11,530**	**(907)**

Environment
These totalled € 56,601 thousand, down by € 2,246 thousand compared to 31 December 2019. The decrease refers to the Acea Ambiente receivables which fell by € 9,847 thousand, partially offset by the increase due to the change in the scope of consolidation for € 8,838 thousand (in particular Cavalarri, + € 3,692 thousand and Ferrocart, + € 3,481 thousand).

Commercial and Trading
Receivables in this segment amounted to € 191,002 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The increase compared to 31 December 2019 was € 3,948 thousand, mainly due to Umbria Energy for € 5,356 thousand, partially offset by Acea Energia for € 1,522 thousand.
During 2020, Acea Energia's receivables were assigned without recourse for a total amount of € 314,247 thousand.

Water
These totalled € 525,081 thousand, recording a decrease of € 6,230 thousand compared to 31 December 2019. The decrease is attributable to Acea Ato 2 for € 39,464 thousand and to Gori for € 11,832 thousand, partially compensated for by the consolidation of S.I.I. for € 31,788 thousand.
During 2020, Acea Ato 2 receivables were assigned without recourse for a total of € 328,801 thousand, of which € 23,873 thousand due from the public administration, Acea vAto 5 receivables for € 2,656 thousand, of which € 410 thousand due from the public administration and Gori receivables for € 6,344 thousand.

Overseas
These totalled € 7,820 thousand and increased compared to 31 December 2019 by € 1,555 thousand, mainly due to the consolidation of Consorcio Agua Azul (+ € 958 thousand) and Consorcio Acea (+ € 509 thousand).

Energy Infrastructure
This amounts to € 145,915 thousand, with a decrease of € 3,468 thousand with respect to 31 December 2019, mainly attributable to *areti* (- € 6,783 thousand), partially compensated for by Solaria Real Estate (+ € 4.9 million).
In 2020, *areti* receivables totalling € 429,899 thousand were transferred pro-soluto, € 160,427 thousand to the Public Administration.

Engineering and Services
These totalled € 6,857 thousand, an increase compared to 31 December 2019 of € 5,443 thousand, mainly due to the consolidation of SIMAM (+€ 5,628 thousand).

Parent Company
These totalled € 898 thousand, recording an increase of € 90 thousand compared to 31 December 2019.

Relations with the Parent Company Roma Capitale

As regards relations with Roma Capitale, the net balance at 31 December 2020 was a negative € 28,586, compared to the previous balance of € 33,660 thousand at 31 December 2019.
The main reason for the decrease in the net credit/debit balance is the recognition of dividends accrued during financial year 2019 for € 86,670 thousand, which have not yet been paid nor offset.

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

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables	192,729	234,898	(42,169)	(18.0%)
Payables (including dividends)	(221,316)	(201,239)	(20,077)	10.0%
Balance (receivables – payables)	**(28,586)**	**33,660**	**(62,246)**	**(184.9%)**

The following tables also provide a breakdown of Group receivables/payables due from/to Roma Capitale.

Amounts due from Roma Capitale

€ thousand	31/12/2020	31/12/2019	Change
Utility receivables	42,036	90,567	(48,531)
Provisions for impairment	(9,348)	(9,343)	(5)
Total receivables from users	**32,688**	**81,224**	**(48,536)**
Receivables for water works and services	2,320	2,484	(164)

(follows)

Amounts due from Roma Capitale

€ thousand	31/12/2020	31/12/2019	Change
Receivables for water works and services to be invoiced	1,818	1,461	357
Contributions	0	0	0
Provisions for impairment	(1,897)	(1,897)	0
Receivables for electrical works and services	4,073	3,839	233
Receivables works and services - to be billed	43	6	37
Provisions for impairment	(326)	(326)	0
Total receivables for works	**6,030**	**5,567**	**463**
Total trade receivables	**38,718**	**86,791**	**(48,074)**
Financial receivables for Public Lighting services billed	129,336	138,798	(9,462)
Provisions for impairment	(30,152)	(30,152)	0
Financial receivables for Public Lighting services to be billed	65,033	39,195	25,837
Provisions for impairment	(21,960)	(14,960)	(7,000)
M/L term financial receivables for Public Lighting services	11,756	15,227	(3,471)
Total Public Lighting receivables	154,012	148,107	5,905
Total Receivables	**192,729**	**234,898**	**(42,169)**

Payables due to Roma Capitale

€ thousand	31/12/2020	31/12/2019	Change
Electricity surtax payable	(15,249)	(15,251)	1
Concession fees payable	(62,202)	(96,412)	34,209
Other payables	(11,013)	(10,109)	(904)
Dividend payables	(132,851)	(79,468)	(53,383)
Total payables	**(221,316)**	**(201,239)**	**(20,077)**
Net balance receivables payables	**(28,586)**	**33,660**	**(62,246)**

The main reason for the decrease in the net credit/debit balance is the recognition of dividends accrued in financial year 2019.
The change in receivables and payables is due to the accrual of the period and the effects of offsets/revenues, summarised below:

- February 2020: compensation: receivables for € 10,463 thousand relating to the Public Lighting service for 2018 fees and 2016-2018 pro-rata amounts offsetting Acea's share dividends for the year 2018;
- March 2020: compensation: receivables for € 20,362 thousand relating to water services for the years 2017-2018 offsetting the Acea Ato 2 concession fee;
- June 2020: compensation: receivables for € 2,108 thousand relating mainly to water services for water fountains for the years 2015-2018 offsetting the Acea Ato 2 concession fee;
- September 2020: compensation: receivables for € 22,824 thousand relating to the Public Lighting service for 2019 fees and pro rata amounts, offsetting Acea's share dividends for the year 2018;
- September 2020: compensation: receivables for € 154,603 thousand relating to water services for the year 2019 offsetting the Acea Ato 2 concession fee;
- November 2020: collection: € 396 thousand for receivables of various kinds referred mainly to Acea;
- December 2020: compensation: receivables for € 24,407 thousand relating to water services for the year 2019 offsetting the Acea Ato 2 concession fee;
- December 2020: collection: € 32,018 thousand for water user receivables for the year 2020.

Financial receivables increased by € 5,905 thousand compared to the previous period, to be attributed to the combined effect of: 1) offsetting of financial receivables in February and September (as noted above), and 2) accrual of receivables related to the Public Lighting service agreement, to the modernisation of security, to extraordinary maintenance, to the LED Plan agreement and to the works relating to the Public Lighting service.
As regards payables, in the period there was an increase of € 20,077 thousand. The main changes are listed below:

- recognition of the payable for Acea's share dividends accrued in 2019 ad € 84,717 thousand, as resolved by the Shareholders' Meeting in May 2020;
- inclusion of the debt for Acea Ato 2 shareholding dividends accrued in 2019 equal to € 1,953 thousand;
- registration of the portion accrued in the period for the concession fee of Acea Ato 2 of € 25,272 thousand;
- zeroing of the Acea Ato 2 concession fee for 2016 due to offsets for the period for € 27,746 thousand;
- decrease in the payable for Acea's share dividends for 2018 of € 33,286 thousand following the payment made through offsetting in February;
- decrease in the Acea Ato 2 concession fee for 2017 of € 16,327 thousand following payment through offsets;
- decrease in the Acea Ato 2 concession fee for 2018 of € 21,407 thousand following payment through offsets.

We can also inform you that in January 2021 the Acea Ato 2 concession fee was also paid for a total of € 33,429 thousand thus paying off the payable position that accrued in 2017 and 2019.

As described in the Consolidated Financial Statements at 31 December 2019 as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale Receivables and Payables. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with

the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group.
In order to arrive at a complete Resolution of the differences during 2019 a specific Joint Technical Committee was set up with the Acea Group.
Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale.
As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables. In 2020 at total of € 33,327 thousand of receivables referred to the aforementioned Report were closed.

We can inform you finally that, as regards the Public Lighting service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it *areti*) compared with the terms pursuant to the CONSIP – Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – Luce 3 Convention" and confirming "the correctness of the prices applied for the Public Lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea's ascertained receivables in relation to the service contract.

We can note that the said communication regards the correctness of the prices charged, without affecting the Administration's intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the Public Lighting service.

Trade receivables from associates and joint ventures

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables from associates	1,517	8,658	(7,142)	(82.5%)
Receivables from jointly controlled entities	7,100	4,978	2,122	42.6%
Total	**8,617**	**13,636**	**(5,020)**	**(36.8%)**

Trade receivables from associated and jointly controlled companies mainly refer to receivables from companies consolidated using the equity method. These receivables amount to a total of € 8,617 thousand (- € 5,020 thousand), and the decrease in receivables from associates is a consequence of the consolidation of S.I.I. (- € 7,150 thousand), in part compensated for by greater Acea receivables from subsidiaries following recognition of receivables for allocation of costs incurred for the Acea2.0 programme, representing allocation of the investment in the joint venture (+ € 2,313 thousand).

25.c – Other current assets

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables from others	235,791	192,957	42,834	22.2%
Accrued income and prepayments	19,606	19,999	(393)	(2.0%)
Payables arising from commodity derivatives	2,045	0	2,045	n.s.
Total	**257,442**	**212,956**	**44,486**	**20.9%**

Receivables from others
These totalled € 235,791 thousand, with breakdown of the main contributing items as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables due from the Cassa Conguaglio	37,504	31,681	5,824	18.4%
Receivables from Cassa Conguaglio for Tariff Contribution from cancellation	1,261	4,882	(3,621)	(74.2%)
Other receivables from Cassa Conguaglio	7,757	5,558	2,199	39.6%
Regional grants receivable	227	815	(588)	n.s.
Receivables from Equitalia	232	110	122	111.7%
Security deposits	6,527	3,354	3,173	94.6%
Receivables from social security institutions	3,242	3,130	111	3.6%
Receivables from individual transfers	2,352	2,354	(2)	n.s.
Suppliers' advances	5,158	4,316	842	19.5%
Receivables due from Municipalities	10,784	11,553	(769)	n.s.
Receivables from factor from the sale	288	(150)	438	n.s.
Receivables for accrued Green Certificates	5,596	4,301	1,295	30.1%

(follows)

€ thousand	31/12/2020	31/12/2019	Change	Change %
Receivables from OTAA	16,029	0	16,029	n.s.
Receivables from staff	29	33	(4)	n.s.
Receivables due to the transferee Area Laurentina	6,446	0	6,446	n.s.
Receivables for advances to employees	569	215	354	165.2%
Other tax receivables	30,469	33,024	(2,555)	n.s.
Other receivables	101,323	87,783	13,541	15.4%
Total	**235,791**	**192,957**	**42,834**	**22.2%**

The increase of € 42,834 thousand derives from receivables due from OTAA deriving from the consolidation of S.I.I. (+ € 16,029 thousand), the increase in receivables due to *a*reti from Cassa Conguaglio for energy equalisation (+ € 5,824 thousand) and receivables for security deposits (- € 3,173 thousand).

Accrued income and prepaid expenses

These amounted to € 19,606 thousand (€ 19,999 thousand at 31 December 2019) and refer mainly to rent on public land, lease payments and insurance. The change was a negative € 393 thousand.

24.d – Current tax assets

These amounted to € 9,618 thousand (€ 12,328 thousand at 31 December 2019) and include IRAP and IRES receivables.

24.e – Current financial assets

€ thousand	31/12/2020	31/12/2019	Change	Change %
Financial receivables from the Parent Company	142,256	132,927	9,328	7.0%
Financial receivables from subsidiaries and associates	2,509	2,518	(9)	(0.4%)
Financial receivables from third parties	235,094	163,766	71,328	43.6%
Total	**379,859**	**299,212**	**80,647**	**27.0%**

Financial receivables from the Parent Company Roma Capitale

These totalled € 142,256 thousand, recording a decrease of € 9,328 thousand compared to 31 December 2019. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for Public Lighting management. Further details are provided in the note *Receivables due from the Parent Company Roma Capitale*.

Financial receivables from associates and joint ventures

These amount to € 2,509 thousand and show no significant changes compared to the previous year (€ 2,518 thousand as at 31 December 2019).

Financial receivables from third parties

These amounted to € 235,094 thousand (€ 163,766 thousand at 31 December 2019) and are mainly broken down as follows:

- € 229,967 recognised by the Parent Company, an increase of € 88,225 thousand, due to the combined effect of the collection of the AGCM receivable of € 16,263 thousand (or the fine including interest paid) and the increase in short-term deposits, which went from € 125,000 thousand to € 225,000 thousand;
- € 3,062 thousand recorded in Ecogena for finance leases issued for the cogeneration plants built.

24.f – Cash and cash equivalents

The balance at 31 December 2020 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies amounted to € 642,209 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Bank and postal deposits	637,730	823,742	(186,013)	(22.6%)
Cheques	2,096	1,280	816	63.7%
Cash and similar items of value on hand	2,383	10,671	(8,287)	(77.7%)
Total	**642,209**	**835,693**	**(193,484)**	**(23.2%)**

LIABILITIES

At 31 December 2020 these amounted to € 9,673,614 thousand (€ 8,954,416 thousand at 31 December 2019), recording an increase of € 719,198 thousand (8.0%) over the previous year, and are broken down as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Shareholders' equity	2,323,258	2,106,710	216,548	10.3%
Non-current liabilities	4,839,048	4,199,020	640,027	15.2%
Current liabilities	2,511,308	2,648,685	(137,378)	(5.2%)
Liabilities directly associated with assets held for sale	0	0	0	n.s.
Total liabilities	**9,673,614**	**8,954,416**	**719,198**	**8.0%**

26. Shareholders' equity – € 2,323,258 thousand

At 31 December 2020, Shareholders' equity amounted to € 2,323,258 thousand (€ 2,106,710 thousand at 31 December 2019). Changes in Shareholders' equity during the period are shown in the appropriate statement.

Share capital

This amounts to € 1,098,899 thousand, represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- Roma Capitale: 108,611,150 ordinary shares with an overall par value of € 560,434 thousand;
- market: 103,936,757 shares for a total par value of € 536,314 thousand;
- treasury shares: 416,993 for a nominal value of € 2,151 thousand.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the Parent Company amounting to € 129,761 thousand.

Other reserves and retained earnings

At 31 December 2020 these amounted to € 459,853 thousand against € 352,851 thousand at 31 December 2019.
In addition to the allocation of the previous year's result, the change of € 107,002 thousand derives mainly from: 1) distribution of dividends of the Parent Company for € 165,788 thousand and 2) increase in cash flow hedges of financial instruments and commodities for € 1,578 thousand; 3) decrease of € 3,504 thousand in actuarial gains and losses reserves; 4) increase in the exchange rate reserve for € 4,363 thousand.
At 31 December 2020 Acea held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Minority interests

These amounted to € 358,429 thousand, an increase of € 106,491 thousand. The change between the two periods compared, in addition to the change in the portion of profits pertaining to minority interests, is mainly due to the change in the scope of consolidation (+ € 78,093 thousand), in particular the line by line consolidation of S.I.I. (+ € 21,013 thousand), Consorcio Agua Azul (+ € 13,173 thousand) and Alto Sangro Distribuzione Gas (+ € 12,249 thousand), as well as the allocation to minority interests of goodwill arising during evaluation (+ € 25,457 thousand), about which more information can be found in the relative section of the notes.

27. Employee severance indemnity and other defined benefit plans – € 122.047 thousand

At 31 December 2020, this item amounted to € 122,047 thousand (€ 104,613 thousand as at 31 December 2019) and represents termination and other benefits payable to employees on retirement or termination of employment.
The following table shows the change in actuarial liabilities during the period.

€ thousand	31/12/2020	31/12/2019	Change	Change %
Benefits due at the time of termination of employment				**n.s.**
Employee severance indemnity	67,029	65,719	1,310	2.0%
Extra months	10,150	10,498	(348)	(3.3%)
Long-Term Incentive Plans (LTIP)	1,600	1,945	(345)	(17.7%)
Post-employment benefits				n.s.
Tariff subsidies	26,033	26,451	(418)	(1.6%)
"*Isopensione*" (early retirement)	17,235		17,235	n.s.
Total	**122,047**	**104,613**	**17,434**	**16.7%**

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according to IAS 19.
As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies listed on the same financial market as Acea, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

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

	December 2020	December 2019
Discount rate	0.35%	0.77%
Revenue growth rate (average)	1.59%	1.59%
Long-term inflation	1.00%	1.00%

It should be noted that for the first valuation of the companies Ferrocart S.r.l., Cavallari S.r.l. and Multigreen S.r.l. on 22 April 2020 the discounting rate of the initial valuation was 1.10%, while for the company SIMAM SpA the rate recorded on 7 May 2020 was 1.00%, while for S.I.I. it was 0.37%.

With regard to the measurement of the Group Employee Benefits (employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+ 0.5% shift / - 0.5% shift). The results of this analysis are summarised below.

Type of plan € million	+0.5%	-0.5%
Employee severance indemnities (TFR)	-3.8	+4.1
Tariff subsidies	-1.2	+1.3
Extra months	-0.5	+0.5

Furthermore, a sensitivity analysis was performed related to the age of the Group, hypothesizing a Group one year younger than the actual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan € million	-1 year of age
Employee severance indemnities (TFR)	-0.5
Tariff subsidies	-0.7
Extra months	+0.5

28. Provisions for liabilities and charges – € 156,951 thousand

At 31 December 2020, the provision for risks and charges amounted to € 156,951 thousand (€ 151,418 thousand at 31 December 2019) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of that stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

When calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements in the year:

€ million	31/12/2019	Uses	Provisions	Release for excess provisions	Reclassifications/ other changes	31/12/2020
Legal	16,224	(2,192)	2,812	(584)	(86)	16,173
Taxes	9,326	(410)	554	(178)	(122)	9,171
Regulatory risks	27,563	(5,690)	5,546	(51)	64	27,432
Investees	7,464	0	0	(172)	3,016	10,308
Contributory risks	1,405	(319)	22	(69)	68	1,107
Insurance deductibles	10,297	(2,520)	2,829	0	373	10,980
Other risks and charges	25,212	(6,403)	8,147	(5,683)	2,417	23,690
Total provision for risks	**97,492**	**(17,536)**	**19,912**	**(6,737)**	**5,729**	**98,860**
Early retirements and redundancies	29,076	(22,107)	27,997	(80)	(3,123)	31,762
Post mortem	17,090	0	29	0	471	17,591
Provisions for settlement expenses	147	(139)	0	(9)	0	0
Provision for expenses payable to others	7,613	(548)	1,772	(100)	0	8,738
Total provisions for expenses	**53,926**	**(22,794)**	**29,798**	**(189)**	**(2,652)**	**58,090**
Total provision for risks and charges	**151,418**	**(40,329)**	**49,710**	**(6,925)**	**3,077**	**156,951**

Acea considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.

For further information please refer to the section *Update on major disputes and litigation*.

29. Non-current borrowings and financial liabilities – € 4,154,251 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Bonds	3,253,444	2,754,298	499,146	18.1%
Medium/long-term borrowings	841,464	745,913	95,551	12.8%
IFRS 16 financial payables	59,343	51,679	7,664	14.8%
Total	**4,154,251**	**3,551,889**	**602,362**	**45.8%**

The figures in the table include the fair value, at 31 December 2020, of hedging instruments entered into and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	31/12/2020	Hedged instrument	Derivative fair value	31/12/2019
Bonds	3,230,695	22,749	3,253,444	2,740,607	13,691	2,754,298
Medium/long-term borrowings	834,790	6,673	841,464	740,361	5,551	745,913
Non-current borrowings and financial liabilities	**4,065,486**	**29,422**	**4,094,908**	**3,480,968**	**19,242**	**3,500,210**

BONDS

On 29 January 2020, Acea SpA completed the placement of a non-convertible bond for a total principal amount of € 500 million, maturing on 06 April 2029 and at a rate of 0.50%, under the € 4 billion Euro Medium Term Notes (EMTN) programme, with the Base Prospectus as last updated on 15 July 2019 and subsequently supplemented on 27 January 2020. The bonds are governed by English Law. Starting from the settlement date, the bonds are listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.
Bonds amounted to € 3,253,444 thousand at 31 December 2020 (€ 2,754,298 thousand at 31 December 2019) and refer to the following:

- **€ 597,669 thousand** (including the long-term portion of the contract related costs) relating to the 10-year fixed rate bond issued by Acea in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of € 1.5 billion. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English Law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,770 thousand;
- **€ 494,820 thousand** (including the long-term portion of the costs attached to the contract) relating to the bond issued by Acea in October 2016 for the EMTN programme for a total amount of € 500,000 with a 10-year fixed-rate duration. The bonds, which have a minimum denomination of € 100,000 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English Law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 5,003 thousand;
- **€ 158,441 thousand** relating to the Private Placement which, net of the fair value of the hedge, a negative € 22,749 thousand, amounted to € 181,190 thousand. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 6,649 thousand, of the hedged instrument calculated on 31 December 2020. The exchange rate at 31 December 2020 amounted to € 126.18 against € 121.77 at 31 December 2019. Interest accrued during the period amounted to € 4,028 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied in a fixed rate in Euro. The cross-currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly basis postponed to a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 299,737 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months +0.37%) under the EMTN programme. Interest accrued during the period amounted to € 81 thousand;
- **€ 690,597 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 1 February 2018, with a fixed rate of 1.5% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 10,516 thousand;
- **€ 494,098 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 23 May 2019, with a fixed rate of 1.75% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 8,764 thousand;
- **€ 495,333 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 29 January 2020, with a rate of 0.50% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 2,259 thousand.

The following is a summary of the bonds, including the short-term portion:

€ thousand	Gross payables (*)	FV hedging instrument	Interest accrued (**)	Total
Bonds:				
Issued in 2014	596,774	0	7,336	604,110
Private Placement issued in 2014	158,423	22,749	655	181,827
Issued in 2016	493,802	0	945	494,747
Issued in 2018	988,442	0	5,955	994,397
Issued in 2019	493,276	0	5,346	498,622
Issued in 2020	494,705	0	1,849	496,554
Total	**3,225,422**	**22,749**	**22,086**	**3,270,257**

* Including amortised cost. ** Including rates on hedging instruments.

MEDIUM/LONG-TERM BORROWINGS (INCLUDING SHORT-TERM PORTIONS)

These amounted to € 953,558 thousand (€ 827,947 thousand at 31 December 2019) and can be broken down as follows: 1) payables relative to principal outstanding falling due beyond 12 months totalling € 587,411 thousand (€ 745,913 thousand at 31 December 2019), 2) the portions of the same borrowings falling due in the 12 months thereafter, totalling € 112,094 thousand (€ 82,035 thousand at 31 December 2019); these amounts include the fair value portion totalling € 6,673 thousand (€ 5,551 thousand at 31 December 2019) of derivative instruments intended to hedge interest rate risks.
The increase, which refers to the Parent Company, is essentially due to a new loan disbursed by Ubi Banca for € 100,000 thousand, and for € 8,790 thousand due to the modification of the scope of consolidation.

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

Financing € thousand	Total residual debt	By 31/12/2021	Due from 31/12/2021 to 31/12/2025	After 31/12/2025
fixed rate	315,246	29,837	221,129	64,280
floating rate	442,866	62,530	196,906	183,429
floating rate cash flow hedge	195,447	19,728	57,282	118,437
Total	**953,558**	**112,094**	**475,317**	**366,146**

The fair value of hedging derivatives totalled € 7,100 thousand and consisted of € 613 thousand related to the Parent Company, € 4,791 thousand to AdF and € 1,302 thousand to Gori.
The Group's main medium/long–term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.
In particular, the loan taken out by *areti* is subject to a financial covenant expressed in the current agreement as a two decimal places ratio of 0.65 between net financial debt and the sum of net financial debt and Shareholders' equity, which must not be exceeded at the end of each reporting period. This ratio must be complied with by both the borrowing company and the Acea Group. The ratio, calculated with the same criteria as the aforementioned agreement, has been complied with in 2019.
The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments, etc.), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants had not been complied with.
Information on the fair value of the above borrowings is provided in the section *Additional disclosures on financial instruments and risk management policies.*
The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 31 December 2020.

IFRS 16 FINANCIAL PAYABLES

This item includes the long-term portion of the financial payable deriving from the impact of IFRS 16 amounting to € 59,343 thousand, of which the short-term portion amounts to € 14,300 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS 16 liabilities	**14,300**	**25,683**	**49,123**	**73,643**

It should be noted that the debt is discounted using a risk-free rate with a maturity equal to the residual duration for each contract, plus the credit spread assigned to Acea by Moody's.

30. Other non-current liabilities – € 405,799 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Advances received	175,209	159,609	15,600	9.8%
Water and electrical connection fees	43,218	49,564	(6,347)	(12.8%)
Capital grants	147,379	139,870	7,509	5.4%
Accrued liabilities and deferred income	39,993	42,057	(2,064)	(4.9%)
Total other liabilities	**405,799**	**391,100**	**14,699**	**3.8%**

ADVANCES FROM END USERS AND CUSTOMERS

The item Advances includes: 1) the amount of the security deposits and consumption advances of the water companies and 2) the amount of the deposits concerning the liabilities for advances on electricity consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (Resolution no. 204/99).

The following table provides the breakdown by operating segments:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Advances from users	16,652	9,242	7,409	80.2 %
User guarantee deposits	151,571	149,329	2,243	1.5 %
Advances from other customers	6,987	1,038	5,948	n.s.
Total	**175,209**	**159,609**	**15,600**	**9.8 %**

The increase recorded is due to the change in the scope of consolidation, mainly associated with SIMAM (+ € 6,419 thousand) and S.I.I. (+ € 4,167 thousand), as well as the increase recorded by *areti* (+ € 13,366 thousand).

CAPITAL GRANTS AND WATER CONNECTION FEES

Water connection contributions amounted to €43,218 thousand (€ 49,564 thousand at 31 December 2019), while plant contributions amounted to € 147,379 thousand (€ 139,870 thousand at 31 December 2019).

These payments on behalf of plants registered in the liabilities annually are attributed by share to the profit and loss account in relation to the duration of the investment to which the issuance of the contribution is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

31. Current liabilities – € 2,511,308 thousand

€ thousand	31/12/2020	31/12/2019	Change	Change %
Financial payables	419,822	674,364	(254,542)	(37.7%)
Trade payables	1,627,119	1,600,263	26,856	1.7 %
Tax payables	40,217	11,977	28,240	n.s.
Other current liabilities	424,150	362,082	62,068	17.1 %
Current liabilities	**2,511,308**	**2,648,685**	**(137,378)**	**(5.2%)**

31.a Financial payables

€ thousand	31/12/2020	31/12/2019	Change	Change %
Payables to banks for short-term credit lines	95,142	6,526	88,617	n.s.
Payables due to banks for financing	112,094	82,035	30,060	36.6%
Short-term bonds	16,813	453,390	(436,577)	(96.3%)
Payables to the Parent Company Municipality of Rome	133,683	79,578	54,104	68.0%
Payables to subsidiaries and associates	26	596	(570)	(95.7%)
Payables to third parties	47,765	39,454	8,311	21.1%
IFRS 16 financial payables within one year	14,300	12,786	1,514	11.8%
Total	**419,822**	**674,364**	**(254,542)**	**(37.7%)**

Payables for short-term bank credit lines
These amounted to € 95,142 thousand (€ 6,526 thousand at 31 December 2019), showing an increase of € 88,617 thousand, mainly attributable to the Parent Company (+ € 99,152 thousand), in relation to three disbursements during 2020 for a total of € 90,000 thousand.

Payables for bank loans
These amounted to € 112,094 thousand (€ 82,035 thousand at 31 December 2019), and refer to the current portion of bank loans falling due within twelve months. The change in the scope of consolidation contributed € 8,298 million to the increase, while the remaining change can be attributed to the Parent Company (+ € 20,244 thousand) and relates to reclassification of the short-term position of the first instalment of the repayment plan for the BEI loan obtained on 2 May 2017, for € 200,000 thousand, as part of the Network Efficiency III Project.

Short-term bonds
These amounted to € 16,813 thousand (€ 453,390 thousand at 31 December 2019). The decrease in short-term bonds is due to the extinction of the Parent Company's bond issue maturing on 16 March 2020.

Payables to the Parent Company Roma Capitale
These amounted to € 133,683 thousand (€ 79,578 thousand at 31 December 2019) and recorded an increase resulting from the combined effect of the Resolution of the Parent Company's dividends, offset by the payment of dividends during the period.

Payables to subsidiaries and associates
These amounted to € 26 thousand and fell € 570 thousand compared to 31 December 2019.

Payables to third parties
These amounted to € 47,765 thousand (€ 39,454 thousand at 31 December 2019). The item can be represented as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Dividends payable to Shareholders	922	539	382	70.9 %
Financial payables due to factors	39,675	31,206	8,469	27.1 %
Other financial payables	7,168	7,708	(540)	(7.0%)
Total	**47,765**	**39,454**	**8,311**	**21.1 %**

IFRS 16 financial payables within one year
These payables, totalling € 14,300 thousand, represent the short-term portion of the financial debt as at 31 December 2020 recorded following application of the IFRS 16 international standard. For additional information refer to note 29.

31.b Trade payables

€ thousand	31/12/2020	31/12/2019	Change	Change %
Payables to suppliers	1,535,067	1,472,802	62,265	4.2 %
Payables to the Parent Company	87,634	121,661	(34,026)	(28.0%)
Payables to subsidiaries and associates	4,417	5,800	(1,383)	(23.8%)
Trade payables	**1,627,119**	**1,600,263**	**26,856**	**1.7 %**

PAYABLES TO THIRD-PARTY SUPPLIERS

Payables to suppliers amounted to € 1,535,067 thousand. The increase of € 62,265 thousand, is mainly attributable to Acea Energia (+ € 48,486 thousand), while the change in the scope of consolidation accounts for € 9,004 thousand.

The Group has entered into factoring agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank. In some cases, the payment deadline set in the invoice is further deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 AG62. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

TRADE PAYABLES DUE TO THE PARENT COMPANY ROMA CAPITALE

These amounted to € 87,634 thousand and are commented on with the trade receivables in paragraph 25b of these notes.

TRADE PAYABLES DUE TO SUBSIDIARIES AND ASSOCIATES

Trade payables to subsidiaries and associated companies amounted to € 4,417 thousand and include payables to companies consolidated using the equity method. Compared to 31 December 2019, the item did not show any significant changes.

31.c Tax payables
These amount to € 40,217 thousand (€ 11,977 thousand at 31 December 2019) and include the IRAP and IRES tax burden for the period. The increase of € 28,240 is mainly attributable to the Parent Company (+ € 12.600 thousand), to Gori (+ € 5,004 thousand) and to AdF (+ € 3,254 thousand).

31.d Other current liabilities
These are equal to € 424,150 thousand and are represented as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Payables to social security institutions	25,211	24,904	307	1.2%
Accrued liabilities and deferred income	56,120	28,688	27,433	95.6%
Other current liabilities	342,818	308,490	34,328	11.1%
Total	**424,150**	**362,082**	**62,068**	**17.1%**

Payables to social security institutions
These amounted to € 25,211 thousand, in line with the previous year (€ 24,904 thousand at 31 December 2019).

Accrued liabilities and deferred income
This item amounted to € 56,120 thousand (€ 28,688 thousand at 31 December 2019). The increase can mainly be attributed to consolidation of S.I.I. (+ € 23,976 thousand) and SIMAM (+ € 949 thousand).

Other current liabilities
These amounted to € 342,818 thousand, an increase of € 34,328 thousand compared to 31 December 2019. The entry is made up as follows:

€ thousand	31/12/2020	31/12/2019	Change	Change %
Payables to Cassa Conguaglio	53,183	54,758	(1,575)	(2.9%)
Payables to Municipalities for concession fees	61,407	54,916	6,491	11.8 %
Payables for collections subject to verification	20,024	15,022	5,001	33.3 %
Payables due to personnel	48,885	51,147	(2,262)	(4.4%)
Other payables to Municipalities	34,910	30,236	4,674	15.5 %
Payables to Equitalia	2,096	2,098	(2)	(0.1%)
Welfare contribution payables	1,877	(296)	2,173	n.s.
Payables for environmental premium art. 10 of ATI4 agreement of 13/08/2007	634	560	74	13.3 %
Payables for purchase of surface rights	0	133	(133)	(100.0%)
Payables to end users for refund of tariff component as per referendum outcome	14	13	0	0.1 %
Other payables	119,789	99,902	19,887	19.9 %
Other current liabilities	**342,818**	**308,490**	**34,328**	**11.1 %**

The increase of € 34,328 thousand mainly refers to payables to Municipalities for concession fees (+ € 6,491 thousand), mainly due to consolidation of S.I.I. (+ € 4,738 thousand), to payables for collections subject to verification (+ € 5,001 thousand) attributable to Acea Ato 2 (+ € 2,988 thousand) and Acea Energia (+ € 1,744 thousand), to other payables due to Municipalities (+ € 4,462 thousand), mainly due to consolidation of S.I.I. (+ € 5,364 thousand), other payables for welfare contributions (+ € 2,173 thousand), mainly attributable to Acea Ato 2; these effects were partially compensated for by the reduction in payables due to personnel (€ 2,262 thousand).