CONSOLIDATED FINANCIAL STATEMENTS

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).

COMMITMENTS AND CONTINGENCIES

ENDORSEMENTS, SURETIES AND GUARANTEES

At 31 December 2020 they totalled € 478,806 thousand (€ 385,590 thousand at 31 December 2019), recording an increase of € 93,216 thousand.

The balance is made up of:

- € 95,110 thousand for guarantees in the interest of Acea Energia mainly for Terna, Eni Trading & Shipping, ERG Power Generation, ENGIE (EX EDF) and ASM Terni relating to the contract for the electricity transport and dispatching service;
- € 68,277 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 8,800 thousand for the bank guarantee issued in favour of ATERSIR for participation in the tender to assign the Emilia Romagna Integrated Water Service;
- € 53,666 thousand in the form of a guarantee issued by Acea to Cassa Depositi e Prestiti (the Deposit and Loans Account) in relation to refinancing of the loan issued to *areti*. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 29,436 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants (€ 7,138 thousand), waste collection plants with electricity production (€ 3,933 thousand) and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 16,715 thousand);
- the guarantee of € 40,000 thousand in favour of Enel Trading in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- the guarantee of € 25,000 thousand for Enel Trade in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 15,385 thousand for the guarantees issued for *areti* in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the “Progetto Tecnologico” contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of *areti*;
- € 4,000 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 5,028 thousand for the guarantee issued in favour of Italgas SpA in the interest of Acea Energia, increased in January 2020;
- € 1,295 thousand relating to the bank guarantee issued by Banco Bilbao Vizcaya Argentaria in favour of the GSE for the correct fulfilment of the obligation for Acea Ambiente to make the reimbursement to the GSE;
- € 6,887 thousand relative to Acea Ato 5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by Unicredit to OTAA, calculated on 10% of the three-year average of the Financial-Tariff Plan of the OTAA Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 17,412 thousand for the issue of three guarantees to Belenergia and Casamassima on behalf of Acea Sun Capital for the purchase of the Special Purpose Vehicle;
- € 38,000 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary Gori SpA;
- € 21,810 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 6,694 thousand for two bank sureties issued in favour of Sedapal to manage pumping stations in the city of Lima and for maintenance of the water and sewerage network in the Nord zone;
- € 7,485 thousand for back to back guarantees issued to bank institutions after the acquisition of Trinovolt, Marche Solar and Eurline 3.

BUSINESS COMBINATION

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

KT4 S.r.l.

On 29 July 2020, the merger by incorporation was approved for the following companies into the limited liability single Shareholder company KT4 SRL: Luna, Sisine, Urbe Cerig, Urbe Solar and Bersolar. The statutory effects of the merger are valid as of 1 December 2020, while accounting and tax effects are retroactive to 1 January 2020.

Below the effects of the Business Combination are reported separately.

1.a) KT4 S.r.l.

On 27 June 2019, Acea Sun Capital completed the purchase of 100% of the capital of KT4 S.r.l., a company that owns a photovoltaic plant with a power of 998 KW in the Municipality of Novoli. The price paid was € 745 thousand.

Net assets acquired		KT4	
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Tangible fixed assets	2,078	0	2,078
Intangible fixed assets	156	582	738
Deferred taxes	18	(168)	(150)
Trade receivables	129	0	129
Other credits	132	0	132
Cash and cash equivalents	50	0	50
Employee severance indemnity and other defined benefit plans	(4)	0	(4)
Current tax assets/liabilities	3	0	3
Trade payables	(10)	0	(10)
Other payables	(370)	0	(370)
Other financial liabilities	(1,152)	0	(1,152)
Payables to banks	(787)	0	(787)
Net balance	**243**	**414**	**657**
Goodwill/(badwill)			86
Net value acquired			**745**
Net cash outflow for the acquisition			**(745)**
Cash and cash equivalents acquired			50
Repayment of financial payables			(1,282)
Payables to banks			(787)
Net cash flow			**(2,764)**

The adjustments to the accounting assets and liabilities of KT4 and the fair value adjustments applied at allocation are as follows:

- registration of intangible assets represented by the Agreement for a fair value estimated at € 582 thousand;
- registration of deferred taxes for € 168 thousand, calculated applying a tax rate of 28.82%.

The identified goodwill amounted to € 86 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

1.b) Urbe Group

On 12 November 2019 the companies Urbe Solar and Urbe Cerig were acquired.

Net assets acquired		Urbe Group	
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Tangible fixed assets	3,868	0	3,868
Intangible fixed assets	301	1,484	1,785
Deferred taxes	0	(428)	(428)
Trade receivables	1,380	0	1,380
Other credits	174	0	174
Cash and cash equivalents	425	0	425
Current tax assets/liabilities	374	0	374

(follows)

Net assets acquired	Urbe Group		
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Other payables	(150)	0	(150)
Other financial liabilities	(6,020)	0	(6,020)
Net balance	**351**	**1,056**	**1,407**
Goodwill/(bargain)			(931)
Net value acquired			**476**

Net cash outflow for the acquisition	**(476)**
Cash and cash equivalents acquired	425
Repayment of financial payables	(1,478)
Payables to banks	0
Net cash flow	**(1,530)**

The adjustments to the accounting assets and liabilities of Urbe Solar and Urbe Cerig and the fair value adjustments applied at allocation are as follows:

- registration of intangible assets represented by the Agreement for a fair value estimated at € 1,484 thousand;
- registration of deferred taxes for € 428 thousand, calculated applying a tax rate of 28.82%.

The identified bargain amounted to € 931 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

1.c) Sindal Group

On 2 August 2019, Acea Sun Capital signed a sales contract with Sindal SpA and Consulta Dekta Erre Trust Company S.r.l. to: 1) acquire 100% of the capital of the companies Luna Energia S.r.l. and Sisine Energia S.r.l. The companies both operate in the solar energy production sector, through a photovoltaic plant, each one of around 1 MW located in Cerignola. The total price paid was € 4,690 thousand, of which € 1,410 thousand to acquire the financial receivable and € 3,280 to acquire the equity investments.

Net assets acquired	Sindal Group		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Tangible fixed assets	5,465	(1,127)	4,338
Intangible fixed assets	555	3,631	4,186
Equity investments	0	0	0
Warehouse stock	0	0	0
Deferred taxes	50	(699)	(649)
Trade receivables	561	0	561
Other credits	127	0	127
Financial credits	0	0	0
Cash and cash equivalents	1,001	0	1,001
Employee severance indemnity and other defined benefit plans	0	0	0
Costs and obligations fund	0	0	0
Current tax assets/liabilities	26	0	26
Trade payables	(28)	0	(28)
Other payables	(1)	0	(1)
Other financial liabilities	(5,773)	0	(5,773)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	**1,983**	**1,805**	**3,788**
attributable to third parties			0
Goodwill/(bargain)			(508)
Net value acquired			**3,280**

Net cash outflow for the acquisition	**(3,280)**
Cash and cash equivalents acquired	1,001
Repayment of financial payables	(1,410)
Payables to banks	0
Net cash flow	**(3,688)**

The adjustments to the accounting assets and liabilities of Luna and Sisine and the fair value adjustments applied at allocation are as follows:

- registration of intangible assets represented by the Agreement for a fair value estimated at € 3.631 thousand;
- registration of deferred taxes for € 699 thousand, calculated applying a tax rate of 28.82%.

The identified bargain amounted to € 508 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

1.d) Bersolar

On 2 August 2019, Acea Sun Capital completed its acquisition of 100% of Bersolar S.r.l., a company which produces electricity from renewable sources using photovoltaic plants.

Net assets acquired	Bersolar		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Tangible fixed assets	0	0	0
Intangible fixed assets	2,005	926	2,931
Equity investments	0	0	0
Warehouse stock	0	0	0
Deferred taxes	2	(267)	(265)
Trade receivables	105	0	105
Other credits	500	0	500
Financial credits	0	0	0
Cash and cash equivalents	127	0	127
Employee severance indemnity and other defined benefit plans	0	0	0
Costs and obligations fund	(6)	0	(6)
Current tax assets/liabilities	0	0	0
Trade payables	(76)	0	(76)
Other payables	(2)	0	(2)
Other financial liabilities	(1,955)	0	(1,955)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	**700**	**659**	**1,359**
attributable to third parties			0
Goodwill/(bargain)			(67)
Net value acquired			**1,292**
Net cash outflow for the acquisition			**(1,292)**
Cash and cash equivalents acquired			127
Repayment of financial payables		0	0
Payables to banks			0
Net cash flow			**(1,165)**

The adjustments to the accounting assets and liabilities of Bersolar and the fair value adjustments applied at allocation are as follows:

- registration of intangible assets represented by the Agreement for a fair value estimated at € 926 thousand;
- registration of deferred taxes for € 267 thousand, calculated applying a tax rate of 28.82%.

The identified bargain amounted to € 67 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

2. Trinovolt

On 17 December 2019, Acea Sun Capital completed the acquisition of 100% of the capital of Trinovolt. a company that owns two photovoltaic systems with a power of 1MhW each in the Municipality of Binetto. The price paid was € 315 thousand.

Net assets acquired	Trinovolt		
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Intangible fixed assets	4,306	1,548	5,855
Deferred taxes	105	(446)	(342)
Trade receivables	13	0	13
Other credits	1,766	0	1,766
Cash and cash equivalents	1,119	0	1,119

(follows)

Net assets acquired	Trinovolt		
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Current tax assets/liabilities	61	0	61
Trade payables	(47)	0	(47)
Other payables	(726)	0	(726)
Other financial liabilities	(6,157)	0	(6,157)
Net balance	**440**	**1,102**	**1,542**
Goodwill/(bargain)			(1,227)
Net value acquired			**315**

Net cash outflow for the acquisition	**(315)**
Cash and cash equivalents acquired	1,119
Payables to banks	0
Net cash flow	**804**

The adjustments to the accounting assets and liabilities of Trinovolt and the fair value adjustments applied at allocation are as follows:

- registration of intangible assets represented by the Agreement for a fair value estimated at € 1.548 thousand;
- registration of deferred taxes for € 446 thousand, calculated applying a tax rate of 29.12%.

The identified bargain amounted to € 1,227 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

3. Marche Solar

On 26 September 2019, Acea Sun Capital completed the purchase of 100% of the capital of Marche Solar, a company that owns a photovoltaic plant with a power of 1MhW in the Municipality of Cartoceto. The price paid was € 10 thousand.

Net assets acquired	Marche Solar		
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Intangible fixed assets	2,209	234	2,443
Deferred taxes	23	(67)	(44)
Trade receivables	5	0	5
Other credits	704	0	704
Cash and cash equivalents	101	0	101
Current tax assets/liabilities	182	0	182
Trade payables	(32)	0	(32)
Other payables	(84)	0	(84)
Other financial liabilities	(2,771)	0	(2,771)
Net balance	**338**	**167**	**505**
Goodwill/(bargain)			(495)
Net value acquired			**10**

Net cash outflow for the acquisition	**(10)**
Cash and cash equivalents acquired	101
Repayment of financial payables	(282)
Payables to banks	0
Net cash flow	**(191)**

The adjustments to the accounting assets and liabilities of Marche Solar and the fair value adjustments applied at allocation are as follows:

- registration of intangible assets represented by the Agreement for a fair value estimated at € 234 thousand;
- registration of deferred taxes for € 67 thousand, calculated applying a tax rate of 28.82%.

The identified bargain amounted to € 495 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

4. Demap

On 4 July 2019, through Acea Ambiente, the Group acquired 90% of Demap, a company operating in Piedmont in the field of plastics recycling. The definitive allocation of the fair value of net assets is as follows:

Net assets acquired	Demap		
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Tangible fixed assets	3,765	1,403	5,168
Intangible fixed assets	127	0	127
Warehouse stock	198	0	198
Deferred taxes	51	(392)	(340)
Trade receivables	2,796	0	2,796
Other credits	22	0	22
Cash and cash equivalents	1,585	0	1,585
Employee severance indemnity and other defined benefit plans	(160)	0	(160)
Costs and obligations fund	(84)	0	(84)
Current tax assets/liabilities	(220)	0	(220)
Trade payables	(3,415)	0	(3,415)
Other payables	(261)	0	(261)
Other financial liabilities	(125)	0	(125)
Payables to banks	(121)	0	(121)
Net balance	**4,158**	**1,012**	**5,170**
attributable to third parties			1,618
Goodwill/(badwill)			16,696
Net value acquired			**19,833**

Net cash outflow for the acquisition	**(19,833)**
Cash and cash equivalents acquired	1,585
Payables to banks	(121)
Net cash flow	**(18,369)**

The transaction was accounted for using the acquisition method and the related results are definitive.
It should be noted that the "Full goodwill" method was used as there is an option right on the purchase of an additional 10% of the shareholding.

5. Pescara Distribuzione Gas

On 18 March 2019 the Parent Company acquired 51% of Pescara Distribuzione Gas, a company that distributes and meters methane gas in the municipality of Pescara. The definitive allocation of the fair value of net assets is as follows:

Net assets acquired	Pescara Gas		
€ thousand	IAS/IFRS	Faire value Adj	Fair value
Tangible fixed assets	14,141	480	14,622
Intangible fixed assets	230	0	230
Warehouse stock	199	0	199
Deferred taxes	186	(138)	48
Trade receivables	5,137	0	5,137
Other credits	1,836	0	1,836
Cash and cash equivalents	178	0	178
Employee severance indemnity and other defined benefit plans	(195)	0	(195)
Current tax assets/liabilities	(39)	0	(39)
Trade payables	(3,760)	0	(3,760)
Other payables	(3,364)	0	(3,364)
Other financial liabilities	(147)	0	(147)
Payables to banks	(7,543)	0	(7,543)
Net balance	**6,860**	**342**	**7,202**

(follows)

Net assets acquired		Pescara Gas	
€ thousand	IAS/IFRS	Faire value Adj	Fair value
attributable to third parties			(3,529)
Goodwill/(badwill)			617
Net value acquired			**4,290**

Net cash outflow for the acquisition	**(4,290)**
Cash and cash equivalents acquired	178
Payables to banks	(7,543)
Net cash flow	(11,656)

The transaction was accounted for using the acquisition method and the related results are definitive.

6. Berg

On 18 October 2019, the Group acquired 60% of Berg, a waste management company in the Municipality of Frosinone. The definitive allocation of the fair value of net assets is as follows:

Net assets acquired		Berg	
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Tangible fixed assets	1,667	(38)	1,629
Intangible fixed assets	1,963	9,796	11,759
Equity investments	1	0	1
Warehouse stock	0	0	0
Deferred taxes	0	(2,812)	(2,812)
Trade receivables	2,310	0	2,310
Other credits	279	0	279
Financial credits	45	0	45
Cash and cash equivalents	1,151	0	1,151
Employee severance indemnity and other defined benefit plans	(190)	0	(190)
Costs and obligations fund	(246)	0	(246)
Current tax assets/liabilities	(1,000)	0	(1,000)
Trade payables	(1,546)	0	(1,546)
Other payables	(87)	0	(87)
Other financial liabilities	(1,669)	0	(1,669)
Payables to banks	(822)	0	(822)
Allocated goodwill	0	0	0
Net balance	**1,856**	**6,946**	**8,802**
attributable to third parties			(3,521)
Goodwill/(bargain)			4,052
Net value acquired			**9,334**

Net cash outflow for the acquisition	**(9,334)**
Cash and cash equivalents acquired	1,151
Repayment of financial payables	0
Payables to banks	(822)
Net cash flow	**(9,005)**

Note that the put option was valued at € 3,520 thousand. The transaction was accounted for using the acquisition method and the related results are definitive.

7. Solaria

On 11 July 2019, Acea Sun Capital signed a sales contract with Belenergia Mezz Finance and Belenergia S.A. to: 1) acquire shares equal to 65% of the respective share capital of the companies Brindisi Solar, Compagnia Solare 2 and Solaria Real Estate, which produce photovoltaic energy (Operation 1); 2) acquire Shareholder loan receivables with reference to the companies Brindisi Solar and Solaria Real Estate.

On 6 August 2019, Acea Sun Capital signed a sales contract with Belenergia Mezz Finance and Belenergia S.A. to: 1) acquire shares equal to 65% of the respective share capital of the companies Acquaviva S.r.l., Compagnia Solare 3 S.r.l. and Spes S.r.l., which produce photovoltaic energy; 2) acquire Shareholder loan receivables with reference to the companies Acquaviva and Spes.

Net assets acquired	Solaria		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Tangible fixed assets	39,092	(4,572)	34,520
Intangible fixed assets	6,459	20,225	26,684
Equity investments	0	0	0
Warehouse stock	0	0	0
Deferred taxes	1,058	(4,367)	(3,309)
Trade receivables	4,140	0	4,140
Other credits	2,665	0	2,665
Financial credits	814	0	814
Cash and cash equivalents	4,164	0	4,164
Employee severance indemnity and other defined benefit plans	0	0	0
Costs and obligations fund	(304)	0	(304)
Current tax assets/liabilities	146	0	146
Trade payables	(3,170)	0	(3,170)
Other payables	(170)	0	(170)
Other financial liabilities	(13,410)	87	(13,323)
Payables to banks	(30,839)	0	(30,839)
Allocated goodwill	0	0	0
Net balance	**10,647**	**11,373**	**22,019**
attributable to third parties			(7,707)
Goodwill/(bargain)			897
Net value acquired			**15,210**

Net cash outflow for the acquisition	**(15,210)**
Cash and cash equivalents acquired	4,164
Repayment of financial payables	(2,205)
Payables to banks	(30,839)
Net cash flow	**(44,089)**

The transaction was accounted for using the acquisition method and the related results are definitive.

8. Acquisition of control over AdF

The Parent Company holds a 99.51% stake in Ombrone, which in turn holds a 40% stake in AdF, the operator of the Fiora Aqueduct and of the Integrated Water Service of OTA 6 with effect from 1 January 2002. In this context, following the amendment made to the Shareholders' agreements on 1 October 2019, which resulted in a change of control according to IFRS 10, the Company was consolidated on a line-by-line basis as from 7 October 2019. The operation was recognised to comply with the Purchase Price Allocation required by the IFRS 3 international accounting standard.

Net assets acquired	Fiora		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Tangible fixed assets	22,970	0	22,970
Intangible fixed assets	203,508	32,756	236,264
Equity investments	930	0	930
Warehouse stock	1,028	0	1,028

(follows)

Net assets acquired	Fiora		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Deferred taxes	7,932	(8,312)	(380)
Trade receivables	42,959	0	42,959
Other credits	3,849	0	3,849
Financial credits	0	0	0
Cash and cash equivalents	50,696	0	50,696
Employee severance indemnity and other defined benefit plans	(2,947)	0	(2,947)
Costs and obligations fund	(8,657)	0	(8,657)
Current tax assets/liabilities	(4,332)	0	(4,332)
Trade payables	(47,636)	0	(47,636)
Other payables	(44,226)	0	(44,226)
Other financial liabilities	(7,442)	0	(7,442)
Payables to banks	(130,900)	0	(130,900)
Allocated goodwill	0	0	0
Net balance	**87,730**	**24,444**	**112,174**
attributable to third parties			(67,305)
Goodwill/(bargain)			2,751
Net value acquired			**47,621**

Net cash outflow for the acquisition	**0**
Cash and cash equivalents acquired	50,696
Repayment of financial payables	
Payables to banks	(130,900)
Net cash flow	**(127,825)**

The transaction was accounted for using the acquisition method and the related results are definitive.

BUSINESS COMBINATION – PROVISIONAL ACCOUNTING (IFRS 3 – PAR.45)

Acquisition of control over Consorcio Agua Azul

Through Acea International, the Group holds a stake in Consorcio Agua Azul, with a 25.5% stake as at 31 December 2019. On 13 January 2020, the Group acquired an additional shareholding of 18.5%, thus increasing its shareholding to 44%. In addition, a Shareholders' agreement was signed with the Shareholder Inversiones (which holds 27% of the shares), which resulted in a change of control according to IFRS 10, and therefore the Company was consolidated on a line-by-line basis as from 13 January 2020.

The operation was (provisionally) recognised to comply with the Purchase Price Allocation required by the IFRS 3 international accounting standard.

Net assets acquired	Azul		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Tangible fixed assets	322	0	322
Intangible fixed assets	14,965	12,436	27,401
Equity investments	0	0	0
Warehouse stock	240	0	240
Deferred taxes	2,177	(3,668)	(1,492)
Trade receivables	1,055	0	1,055
Other credits	76	0	76
Financial credits	3,514	0	3,514
Cash and cash equivalents	7,011	0	7,011
Employee severance indemnity and other defined benefit plans	0	0	0
Costs and obligations fund	(307)	0	(307)
Current tax assets/liabilities	(172)	0	(172)
Trade payables	(159)	0	(159)

(follows)

Net assets acquired	Azul		
€ thousand	IAS/IFRS Financial Statements	Adj fair value	Fair value
Other payables	(358)	0	(358)
Other financial liabilities	(790)	0	(790)
Payables to banks	(2,723)	0	(2,723)
Allocated goodwill	0	0	0
Net balance	**24,849**	**8,768**	**33,617**
attributable to third parties			(18,826)
Goodwill/(bargain)			5,560
Net value acquired			**20,351**

Net cash outflow for the acquisition	**(8,550)**
Cash and cash equivalents acquired	7,011
Repayment of financial payables	
Payables to banks	(2,723)
Net cash flow	**(4,262)**

The transaction was accounted for using the acquisition method and the related results cannot be considered as definitive.

Acquisition of photovoltaic companies

In the first half of 2020, the Group acquired the following companies: Fergas, Euroline3, IFV Energy and PF Power for Future. Below we indicate the total value relative to the acquisition of the equity investment stakes, which comes to € 4,297 thousand.

€ thousand	
Net balance	**2,201**
attributable to third parties	0
Goodwill	2,095
Net value acquired	**4,297**

Net cash outflow for the acquisition	**(4,297)**
Cash and cash equivalents acquired	941
Repayment of financial payables	(4,243)
Payables to banks	0
Net cash flow	**(7,599)**

It should be noted that the values shown at the date of acquisition have been adjusted in accordance with the Group's IAS/IFRS criteria and the difference generated has been allocated to "Goodwill" pending final allocation. Initial analyses have shown that most of the difference can be attributed to the asset related to the right to receive the contribution granted by the GSE.

Acquisition of Cavallari and Ferrocart Group

On 22 April 2020, through Acea Ambiente the Group acquired 60% of the companies Ferrocart and Cavallari, which in turn owns 100% of Multigreen.

The companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal.

€ thousand	
Net balance	**10,334**
attributable to third parties	(4,134)
Goodwill	14,258
Net value acquired	**20,458**

Net cash outflow for the acquisition	**(20,458)**
Cash and cash equivalents acquired	6,583
Repayment of financial payables	0
Payables to banks	(8,006)
Net cash flow	**(21,881)**

Note that the put options to acquire an additional 20% stake in Ferrocart and Cavallari were respectively measured at € 2,300 thousand and € 2,800 thousand.
It should be noted that the values shown at the date of acquisition have been adjusted in accordance with the Group's IAS/IFRS criteria and the difference generated has been allocated to "Goodwill" pending final allocation.

Acquisition of SIMAM

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

€ thousand	
Net balance	**6,469**
attributable to third parties	(1,941)
Goodwill	17,331
Net value acquired	**21,859**
Net cash outflow for the acquisition	**(21,859)**
Cash and cash equivalents acquired	4,426
Repayment of financial payables	0
Payables to banks	(5,689)
Net cash flow	**(23,122)**

Note that the operation calls for a put option, but at present this has not yet been measured, given the lack of certainty that the objectives for exercising it will be achieved.
It should be noted that the values shown at the date of acquisition have been adjusted in accordance with the Group's IAS/IFRS criteria and the difference generated has been allocated to "Goodwill" pending final allocation.

Acquisition of Electric Drive Italia

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

€ thousand	
Net balance	**108**
attributable to third parties	0
Goodwill	1,382
Net value acquired	**1,491**
Net cash outflow for the acquisition	**(1,491)**
Cash and cash equivalents acquired	186
Repayment of financial payables	0
Payables to banks	0
Net cash flow	**(1,304)**

It should be noted that the values shown at the date of acquisition have been adjusted in accordance with the Group's IAS/IFRS criteria and the difference generated has been allocated to "Goodwill" pending final allocation.

Acquisition of Energia SpA

On 13 May 2020, through Acea Sun Capital, the Group acquired a 49.9% non-controlling stake in the company Energia SpA. This company operates in the design, construction, management and maintenance of plants for the production of electricity, including from renewable sources. Additionally, as of the acquisition date, the company owns two subsidised photovoltaic plants ("IV Energy Grant"), with net power of around 7.6 MW, installed in Nepi and Spoleto. The transaction is currently being analysed and has generated higher values for € 6.9 million, currently recorded in the value of the investment using the equity method.

Belaria Acquisition

On 21 July 2020, Acea Sun Capital finalised the acquisition of a 49% non-controlling interest in Belaria S.r.l., for the price of € 4,133,150.00, of which € 4,900 to purchase the stake in the share capital and the remaining portion as a financial receivable. The transaction is currently being analysed.

Alto Sangro Distribuzione Gas Acquisition

On 31 August 2020, the Parent Company finalised the acquisition of a 51% equity investment in Alto Sangro Distribuzione Gas S.r.L., for a total price of € 19,732,243.26. The transaction is currently being analysed.

€ thousand	
Net balance	**24,385**
attributable to third parties	(11,949)
Goodwill/(badwill)	7,296
Net value acquired	**19,732**

Net cash outflow for the acquisition	**(19,732)**
Cash and cash equivalents acquired	987
Loan disbursement	0
Payables to banks	(857)
Net cash flow	**(19,602)**

Acquisition of control over S.I.I.

The Parent Company holds a 99.2% stake in Umbriadue, which in turn holds a 25.5% stake in S.I.I., which is a joint stock consortium which was awarded, through the signing of the Agreement, management of the Integrated Water Service for AURI Umbria subsection 4 for 30 years, that is from 31 December 2001 through 31 December 2031. On 17 November 2020, the Group acquired an additional shareholding of 15.5%, thus increasing its shareholding to 40%. In addition, a Shareholders' agreement was signed which resulted in a change of control on the basis of IFRS 10, and therefore the Company was consolidated on a line-by-line basis as from 17 November 2020. The transaction is currently being analysed in order to comply with the Purchase Price Allocation required by the IFRS 3 international accounting standard. It should be noted that badwill of € 3 million has been provisionally recognised among provisions for risks and charges.

SERVICE CONCESSION ARRANGEMENTS

The Acea Group operates water, environmental and Public Lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in Municipalities in OTA 4 Ternano–Orvietano through Acea Ambiente.

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

- Lazio, where Acea Ato 2 SpA and Acea Ato 5 SpA provide services in the provinces of Rome and Frosinone, respectively;
- Campania, where Gori SpA provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river;
- Tuscany, where the Acea Group operates in the province of Pisa, through Acque SpA, in the province of Florence, through Publiacqua SpA, in the provinces of Siena and Grosseto, through AdF SpA in the province of Arezzo through Nuove Acque SpA and in the province of Lucca and periphery through Geal SpA;
- Umbria, where the Group operates in the province of Perugia through Umbra Acque SpA, and Terni through S.I.I.. ScpA.

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

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

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

PUBLIC LIGHTING – ROME

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

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

Furthermore, the investments required for the service may be 1) applied for and funded by the Municipality or 2) financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Upon natural or early expiry – also due to cases envisaged under Decree Law no. 138/2011 – Acea will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.

Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which Acea has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

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

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

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

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

We can inform you finally that, as regards the Public Lighting service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and for 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 perplexities on the legitimacy of the award to Acea SpA itself. 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.

INTEGRATED WATER SERVICE

Lazio – Acea Ato 2SpA (OTA 2 – Central Lazio – Rome)

Acea Ato 2 provides Integrated Water Services on the basis of a

thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the OTA comprising 112 Municipalities, including Roma Capitale). In return for award of the concession, Acea Ato 2 pays a fee to all the Municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for Municipalities already taken over) has been completed for 96 Municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT 2011).
On 31 December 2020 the territory managed has not undergone changes compared to 31 December 2019.

While awaiting definition of the tariff related to the third regulatory period (four years 2020-2023) under the terms of ARERA Resolution 580/2019/R/idr (MTI-3), Acea Ato 2 as provided for applied, starting from 1 January 2020, the tariff of the previous year adjusted as per paragraph 7.2 lett. a) of the said Resolution on the basis of the tariff multiplier resulting from the Economic-Financial Plan already approved at the moment of the 2018-2019 tariff update. As of March 2020, the application of the new tariff structure approved by Resolution no. 4/2019 by the Conference of Mayors at its meeting of 11 November 2019 pursuant to ARERA Resolution no. 665/2017/R/idr (TICSI – Integrated Text for Water Services Charges) was initiated with effect from 1 January 2019. The application of the new tariff structure began in March 2020 to enable the activity of counting the number of components of each resident domestic user account of the OTA 2.
The most significant changes in the TICSI concern residential households, for which the number of residents in the household is introduced as a key factor in the calculation of expenditures. The service fee (fixed and variable portions) is calculated on the basis of the number of residents who make up the household as communicated by the customer. The application of the tariff based on the effective number of components is backdated to I January 2019 for users that made this information available by the end of February 2020, while the data acquired later will take effect from the communication date and up to that date, in accordance with the provisions of the regulation at the national level, the standard per-capita criterion is applied, that is considering a standard resident domestic user of three components.
In relation to the tariff update for the four years 2020-2023, the Mayors' Conference of the OTA 2 Central Lazio – Rome after a first adjournment resolved at the session on 4 November, on 27 November approved the tariff proposal prepared by its Operational Technical Secretariat (OTS) in agreement with Acea Ato 2, supplemented with the amendment voted unanimously during the same session. This amendment provides for an increase in the Supplementary Water Bonus, which will be maintained alongside the national bonus, increasing it from the € 8 million already provided for to € 17 million over the four years, also in consideration of the emergency situation determined by the pandemic; the amount may be increased further if it is found to be insufficient, while in the case of excess this can be allocated to reduce the future tariff adjustments in order to contain the tariff increases. Again in consideration of the emergency situation, up to 31/12/2021 unless extended, users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA will be able to access, exclusively to covers earlier arrears, a further one-off amount up to three times the ordinary value. The amendment provides also for an expansion of activities connected with network reclamations, in order to protect water resources and limit losses, The documents accompanying the tariff application (among the main ones action programme with evidence of the Strategic Work Plan, Economic and Financial Plan, economic and technical data required by the Authority, Resolutions on tariff arrangement) are currently being assessed by the Authority.

In relation to the aforementioned **water bonus**, we can note also the update pursuant to ARERA Resolution 499/2019/R/com of the related Implementation Regulation for the OTA 2 Central Lazio Rome, approved by Resolution no. 2-19 of the Mayors' Conference of 15/04/2019. The new provisions are valid for the year 2020.

With reference to the other significant issues that emerged, it should be noted that the appeals against Resolution 585/2012 and subsequent Resolutions were partially accepted by the Lombardy regional administrative court, a ruling against which both the Company and ARERA filed an appeal. After a series of public hearings and postponements due to the Covid-19 emergency, the new public hearing was set for 10 December 2020, inviting the parties to: 1) file documents by 19 November 2020; 2) file briefs by 24 November 2020; 3) file replies by 28 November 2020.
As of the date of this report, in addition to the appeal to the Council of State mentioned above, the other appeals filed by Acea Ato 2 before the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/idr (MTI) and Resolution no. 664/2015/R/idr (MTI-2) are still pending.
With regard to Resolution 643/2013, it should be noted that on 8 May 2014 additional grounds were presented for the cancellation of ARERA decisions no. 2 and no. 3. On 9 December 2014 additional grounds were presented for the cancellation of Resolution 463/2014/R/idr. Pending the scheduling of the hearing, in April 2019 the notice of the hearing was received (the administrative process was cancelled due to the inactivity of the party). Following this communication, on 20 June 2019 Acea Ato 2 presented the request for the scheduling of the hearing together with the new power of attorney signed by the Chairperson. In application of article 84 of Italian Decree Law 18/2020 (suspension of procedural deadlines for Covid-19) the procedural deadlines have been suspended.

With regard to Resolution no. 664/2015, it should be noted that in February 2018 Acea Ato 2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/idr (biennial update of the tariff arrangements for the Integrated Water Service) and against annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled. In application of article 84 of Italian Decree Law 18/2020 (suspension of procedural deadlines for Covid-19) the procedural deadlines have been suspended.

The revenues for the period amounting to € 655.2 million were calculated according to ARERA Resolution 572/2018: they include the estimate of the adjustments of passing items and the FoNI component (€ 53.5 million) while the bonus related to commercial quality is zero.

Lazio – Acea Ato 5SpA (OTA 5 – Southern Lazio – Frosinone)

Acea Ato 5 provides Integrated Water Services on the basis of a 30-year agreement signed on 27 June 2003 by the Company and Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, Acea Ato 5 pays a fee to all the municipalities based on the date the related services are effectively acquired.
The management of the Integrated Water Service in the territory of OTA 5 – Southern Lazio – Frosinone involves a total of 86 Municipalities for a total population of around 490,000 inhabitants, about 469,836 inhabitants supplied and a number of end users equal to around 199,823.
To date the completion of said process has not occurred for the Municipalities of Paliano. Below is a description of the main events during the period.

With reference to the **Municipality of Paliano** in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was "limited to a period of three years from the date of signing of the Management Agreement between OTAA 5 and Acea Ato 5; this deadline therefore expired in 2006, so that, after that date, AMEA's management was to be considered without title".
Since Acea Ato 5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA 5 Lazio Meridionale – Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to Acea Ato 5 of the management of the IWS in the Municipality of Paliano. In this perspective, the parties – with minutes of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.
To date, the parties are sharing the IWS handover report, which should also result in the waiver of pending litigation between them.

With reference to **tariffs**, 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 could be in contrast with the tariff adjustment request, prepared 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, sent by Acea Ato 5 to ARERA on 15 December 2020, given the continuing inertia coming from OTAA 5. In fact, note that:

- the deadline for tariff approval by the competent entities, based on the provisions of Resolution ARERA 580/2019/R/idr and subsequent additions made by Resolution ARERA 235/2020/R/idr was set for 31 July 2020;
- the OTAA 5 Operational Technical Secretariat (hereafter, "OTS") had undertaken to convene the Conference of Mayors to approve the 2020-2023 tariff structure by 15 December 2020 (OTS file no. 4596 of 27/10/2020)

Notably, the Tariff Structure approved by the Conference of Mayors on 10 March 2021 shows, for 2020-2023, significant differences in reference to operating costs and the tariff multiplier.
Revenues for the Integrated Water Service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its Resolution 580/2019/R/idr of 27 December 2019 and amount to € 80.7 million, including the estimate of adjustments for pass through items and the FoNI component of € 7.9 million.
Tariff adjustments amount to € 97.3 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for the years 2012-2017 and the subsequent tariff update of 1 August 2018 by the AGB.

With regard to **relations with OTAA 5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the Resolution passed by the Conference of Mayors of OTA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above Resolution.
In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of OTA5.
Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.
In this regard, on 11 September 2018 OTAA 5 and the Company signed report no. 1 in which the parties expressed their mutual willingness to open a Conciliation Board on:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relative to concession fees from 2006-2011. This question consists in ascertaining that the concession fees for the period 2006-2011 have been paid in full: while Acea Ato 5 claims to have paid the entire amount due, the Area Authority claims that it is still owed more (€ 1,751,437.89). The dispute is the subject of a case pending before the Court of Frosinone. The Board has proposed recognition of this debt, with the consequent recognition of a contingent liability in the Financial Statements;
- verification of the actual use of the sums paid by Acea Ato 5 to the Area Authority as a fee pursuant to art. 13 of the Integrated Water Service Management Agreement. In the meantime this matter has been substantially settled by the parties, given the recalculation of the concession fee;
- recognition of the receivable due to the Operator (€ 10,700,000.00) and related to the 2007 transaction, which is the subject of judgement no. 304/2017 of the Court of Frosinone, appealed by Acea Ato 5 to the Rome Court of Appeal (docket no. 6227/2017). The first hearing of the appeal proceedings is scheduled for 20 November 2020, and Acea Ato 5 – even though it considered the above sentence to be incorrect and therefore appealed it – nevertheless pointed out that Acea Ato 5 did not in any way deny the existence of the receivable claimed by the Manager and therefore claims the right to recover the receivable itself, also fearing further initiatives to protect the interests of the Company. The Operational Technical Secretariat has expressed its willingness to ask the Conciliation Board to study the Manager's claim, even from a legal point of view. The Board proposed recognition of this receivable, but the case would not have any impact on the Financial Statements, given that the item in question is already recognised;
- compensation of damage suffered by Acea Ato 5 as a result of delays in the delivery of services by the Municipalities of Cassino, Atina and Paliano, for which economic quantification is difficult and which, therefore, would not be paid to the Operator;
- compensation for damages due to the non-handover of the ASI and Cosilam plants, quantified in the amount of € 2,855,000.00 (which the Operator will renounced against recognition of a payable for € 10,700,000.00);
- recognition of penalties totalling € 10,900,000.00 applied by OTAA 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; A partial recognition of € 4,566,000.00 was proposed against compensatory work which the Operator would undertake to carry out under its own expense. The alternative would be to compensate for these charges by decreasing tariff adjustments which, however, would make it necessary to recognise a contingent liability of the same amount in the Financial Statements;
- recognition of interest on the delayed payment of concession fees on the part of Acea Ato 5, assessed in the amount of €

650,000.00. The Board has proposed recognition of this debt, with the consequent inclusion of the financial expenses in the Financial Statements;
- request for an Operator repayment plan relative to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, as at 30 June 2019, amount to around 10,167,000.00. The Board proposed that this item, already recognised in the Financial Statements, be offset by the recognition of a credit of € 10,700,000.00;
- reconstruction of the 2012/2018 concession fees following EGA Resolution no. 1 of 26 March 2018 (economic valuation € 12,799,000.00), which would reduce the adjustments for bills to be issued from 2020.

Two other issues were then referred for the assessment of the Board concerning the discounting of the 2006/2011 adjustments and the non-invoicing of the 2006/2011 adjustments due to the correction of the 2012 volumes.
Also in minutes no. 1 of 11 September 2018, the parties shared the rules for appointing the Conciliation Board, specifying that:
- it shall be called upon to verify the possibility of an attempt at an amicable settlement between the parties with respect to all and/or even some of the above matters;
- after an extensive investigation that must concern all the individual points under examination, the Conciliation Board must present the parties with a proposal for conciliation;
- the parties will be free to accept or reject the conciliation proposal presented by the Conciliation Board, i.e. to accept it in full or even only in part, without any obligation to give their reasons;
- therefore, the appointed Board will have the task of carrying out an investigation on behalf of both parties with respect to the matters entrusted to it, without prejudice to subsequent decisions that will be left to the individual parties;
- the conciliation proposal presented by the Board and, more generally, the report and/or deeds drawn up by the Board may not be used in judicial proceedings by one Party against the other as a possible recognition of its own reasons and/or those of others;
- the appointed Board does not act as an Arbitration Board.

The parties also shared the criteria for the appointment of the Board and, in particular, each Party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment.
On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal.
The Conciliation Board therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.
Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019.
At that meeting, the parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies.
On 26 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the parties together with the draft of the Conciliation Deed.

On 4 February 2020, the Company informed the OTS of OTAA 5 that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA 5 and Acea Ato 5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500 thousand without any tariff recognition, in conciliation and for the reasons set out above.

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

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

Tariffs
On 18 December 2020, as the Campania Water Authority had not yet sent ARERA the Regulatory Framework for 2020-2023, in compliance with article 5.3 of the Resolution ARERA 580/2019/R/idr as amended, Gori presented a request for an update to the Regulatory Framework for the four year period from 2020-2023, in compliance with articles 5.5 and 5.6 of MTI-3 and point 3 of Determination 1/2020, in order to guarantee continuity in the management of the IWS in the Sarnese-Vesuvianoo District Area and, therefore, maintenance of the relative economic/financial balance and implementation of the projects and activities already defined through the commitments made between the Operator, the Campania Region and the Campania Water Authority with the aim of improving the efficiency of the District's IWS, as well as improving and protecting service levels. Additionally, the proposed Regulatory Framework guarantees transfer and improved efficiency of the "Regional Works", that is the water infrastructure falling under the OTA3 still managed by the Campania Region and listed in Regional Council Resolution 243/2016, with the continued employment and placement, always with an eye to improving the efficiency of the IWS, of personal assigned to Regional Works, in compliance with the methods established in the agreements made with the unions, based on the aforementioned Resolution 243/2016 and the related Framework Agreement of 3 August 2018.

Tariffs: third regulatory period update of the tariff arrangements for the Integrated Water Service
On 18 December 2020, Gori presented a request for a tariff adjustment for the period from 2020-2023, in compliance with articles 5.5 and 5.6 of ARERA Resolution ARERA 580/2019/R/idr and point 3 of Determination 1/2020.
The request calls for the update of the revenues constraint recognised to the manager of the IWS in the Sarnese-Vesuvianoo Area and the corresponding "tariff multipliers" for financial years 2020-2023, respectively equal to: 2020 = 1.020000, 2021 = 1.081200, 2022 = 1.135260, 2023 = 1.192023.
Further, with the aim of guaranteeing the social sustainability of spending on the IWS on the part of users, while still falling under

Quadrant VI of the regulatory matrix, the Operator, for the purposes of preparing the Economic Financial Plan (EFP) and, specifically, to define the schedule for recovering tariff adjustments, in consideration of the aforementioned schedule for transferring the Regional Works, proposes tariff increases below the applicable maximums, recognised in the regulatory matrix pursuant to article 5.1 in annex A to Resolution ARERA 580/2019/R/idr

The tariff adjustment proposal for the third regulatory period includes the following determinations:

- tariff multipliers are proposed for an amount that is below the allowed maximum, equal to 2% for 2020, 6% for 2021 and 5% for 2022 and 2023. In any case, the tariff multipliers proposed for 2020-2021 are less than those established in the previous EFP pursuant to the Resolution made by the Campania Water Authority Extraordinary Commission, no. 39/2018 (increases equal to 8%);
- the project schedule proposed and sent to the Campania Water Authority on 14 September 2020, sent by Gori to the Operator numbered 49298 and titled "Proposal of essential works", offers a proposal for essential works which can be paid for through the tariff system, thereby guaranteeing for at least the 2020-2023 regulatory period, a level of investment comparable with that achieved in 2019 and, with the requirements assuming the € 100 million bank loan stipulated to carry out the same. It should be noted that the works plan in question also includes financed investments for 2020-2023 which exclusively refer to projects for which the Financing Decree has already been issued to cover the costs;
- relative to the hypothesis of transferring Regional Works, the update proposal prepared took into account the works and infrastructure already transferred to Gori and left mainly unchanged the transfer methods for facilities still under the management of the Campania Region, as established in the Operational Agreement signed by Gori, the Campania Region and the Campania Water Authority, with the establishment of the schedule to transfer the Regional Works, which was further updated by the Framework Amendment to the Operational Agreement of 2018, signed on 20 November 2020;
- with regards to rebalancing measures, the proposed update to the regulatory framework took into account the Operating Agreement which enabled the company to obtain a long-term loan with a pool of banks for a total of € 80 million and a share financed by the Private Partner Sarnese-Vesuvianoo S.r.l. for € 20 million; Additionally, the effects deriving from the signing of the Framework Amendment of November 2020 were taken into consideration, to maintain economic and financial balance in the management of the IWS in the Sarnese-Vesuvianoo District Area, as established under article 4 of the Operational Agreement;
- the recognition of the additional costs related to the activities carried out for the purpose of adapting to the commercial quality standards referred to in ARERA Resolution 655/2015/R/idr and to the technical quality standards as per Resolution 917/2018/R/idr, i.e. the $Opex_{QC}$a and $Opex_{QT}$ a components of the opex have been quantified to the extent required by the Manager in the respective requests for recognition of the additional costs for adaptation to the quality standards set by the authority in the aforementioned Resolutions; specifically, the higher charges recognised in the context of the update of the approved regulatory scheme proposed for 2020 - 2023 are equal to $Opex_{QC}$ € 3,225,806 and $Opex_{QT}$ € 615,259; These amounts are recognised, pursuant to articles 18.9, letter a) of annex A to Resolution 580/2019/R/idr and 18.8 of the same, in the maximum amount of charges effectively recognised by the Operator in 2019. Further, relative to $Opex_{QC}$ a, a specific request was presented to recognise additional charges relative to aspects linked to contractual quality objectives, pursuant to Resolution ARERA 547/2020/R/Idr pursuant to letter b) of article 18.9 in annex A to Resolution 580/2019/R/idr", quantifying greater costs for the years 2020-2023 in the amount of: 2020: € 90,000, 2021: € 140,836; 2022: € 140,836 and 2023: € 140,836;
- for Op_{social}, pursuant to that established under article 23-*ter* of annex A to Resolution 918/2017/R/idr, a quantification similar to that used in the previous period from 2018-2019 was proposed again, in the hypothesis that the Area Governing Body decided to maintain the pre-existing subsidies for 2020 and 2021, to cover charges linked to the maintenance of improved benefits with respect to the minimum ones established under national regulations (the integrated water bonus). To quantify Op_{social} it was also necessary to consider the changes introduced by ARERA with Resolution 3/2020/R/idr, which partially modified the TIBSI, for the purposes of quantifying the social water bonus, establishing the methods for determining the amount compensating for expenses suffered. It should be noted that disbursement of the integrated water bonus is subordinate to determinations made by the Campania Water Authority, which include identification of the Group of beneficiaries with the right to the bonus and methods for accessing it. For the purposes of the proposed tariff, pursuant to the Operator's request, prudentially and while awaiting the EIC's determinations, the calculation used an Op_{social} for maintenance or the introduction of possible improved benefits of € 2,533,746 for 2020-2021 and € 2,000,000 for 2022-2023;
- the component Op_{mis} covering costs suffered to adjust to the new regulations in terms of unpaid amounts relative to REMSI, article 18.11 of annex A, for this was proposed the amount quantified "in the request for quantification of the component Op_{social} for 2020-2023, in consideration of the new regulations on unpaid amounts introduced by REMSI under paragraph 18.10 of annex A to Resolution 580/2019/R/Idr and supporting the request for recognition of the component Op_{mis} for 2020-2023, pursuant to paragraph 18.11 of annex A to Resolution 580/2019/R/Idr". Hence, components Op_{mis} and OP_{social}-7.3 letter A of REMSI as included in the calculation are equal respectively to: Op_{mis} 2020 = 1,697,905, 2021 = 2,870,204, 2022 = 3,476,115 and 2022 = 3,411,444, while Op_{social} are equal to: 2020 = 69,988, 2021 = 62,989; 2022 = 56,690 and 2023 = 51,021;
- with regards to recognition of additional costs for unpaid amounts in the context of the update to the proposed regulatory scheme, prudentially and to temper economic/financial balance for management with the social sustainability of the tariff and, without prejudice to subsequent assessments to be verified during the biennial review adjustment, for the purposes of the proposed tariff, the costs of unpaid amounts have been calculated in the amount of 7.1%, applied to the annual turnover for the year (a-2), that is in the maximum amount recognised pursuant to article 28.2 of MTI-3 for managers located in the regions of the South and the Islands. Nonetheless, the request for recognition of the cost of unpaid amounts pursuant to article 28.3 of Resolution ARERA 580/2019/R/idr, including quantification of the component CO_{dill} pursuant to the article in annex A of Resolution 580/R/idr, presented by Gori, on the basis of the calculation of the UR24 rate for the years 2018-2019, recognition was requested for the same years in the amount of 10%, with respect to that recognised in the context of the Commission's Resolution 39/2018, to adjust for greater costs. Additionally, the same request asked for recognition of greater costs for unpaid amounts for the years 2020-2021, in the amount of 10%, pursuant to article 28.3 of Resolution AR-

ERA 580/2019/R/idr, as well as recognition of the component CO_{dill} pursuant to article 28.4 of annex A to Resolution ARERA 580/2019/R/idr;
- for the component Op_{covid}, to deal with the health emergency due to Covid-19, Gori presented a specific request for recognition of forecast costs to the Campania Water Authority, pursuant to article 18.12 of annex A to Resolution 580/2019/R/idr, as amended;
- the adjustment component Rcappr was calculated as € 165.3 million, equal to the amount of the adjustments pursuant to Commission Resolution 39/2018;
- for the component OP^{new}, the costs considered in the proposed tariff in question refer to the grounded requests for recognition of the component (three requests presented), pursuant to paragraph 18.2 of MTI-3, presented by Gori to the Campania Water Authority based on the change in the scope of management due to the transfer of the water abstraction and purification works from the Campania Water Authority, following implementation of the transfer schedule established in the Operational Agreement of November 2018 and the operating costs for management of the water pumping plants known as "Monaco Aiello" and "Vigna Caracciolo", already recognised and included in the calculation in the previous tariff structure, pursuant to Commission Resolution 15 of 30 June 2015 and the subsequent documents also prepared by the Operator and, finally, approved with Resolution ARERA 104/2016/R/idr. Parameter values were also defined in these same requests to use for quantifying costs suffered or to be suffered for sewer works transferred (networks and systems), for those being constructed and subsequently subject to transfer to Gori from other entities (municipalities, ARCADIS) and those constructed by Gori itself. It should be noted that in the context of the requests presented, Gori proposed that greater external costs be determined for the new scope of management for all works and infrastructure which had been managed for at least a year.

The revenues at 31 December 2020, which total € 201.2 million, were determined on the basis of the Tariff Update Request presented by the Operator and pursuant to Resolution ARERA 580/2019/R/idr which proposed, among other things, a ceiling of 1.02 for the year 2020, highlighting that, in order to achieve financial balance in management of the Sarnese-Vesuvianoo District Area in compliance with the tariff increase constraint and remaining within the maximum limit for annual changes, a remodulation of the GRC was proposed, through regulatory postponement of the portion of costs exceeding the maximum limit.
Verification of parameters to identify the regulatory quadrant and the presence of OP^{new} relative to systematic changes in operator activities in the "presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of annex A to Resolution ARERA 580/2019/R/idr, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Gori proposed a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

Also note, for entirely prudential purposes, as approvals had not yet been received from the relevant bodies of the Campania Water Authority, when calculating the GRC at 31 December 2020 the components Op_{social}, Op_{mis} and Co_{dill} were not included.
Additionally, the purely regulatory components such as ΔSavings (relative to energy efficiency) and $RC_{Attiv\,b}$ were considered.

Components $Opex_{QC}$ and $Opex_{QT}$ were calculated in the amount of that requested in the relative cost recognition request, within the limit of that recognised in 2019.
For the component Op_{covid} costs effectively suffered at 31 December 2020 were included in the calculation of the relative GRC.
The OP^{new} included in the calculation, also in this case, as approvals had not been received for the requests from the relevant bodies of the Campania Water Authority, these were quantified in the same manner as in previous years, and therefore based on the principle of full cost recovery, the costs effectively suffered for systems transferred at 31 December 2020 are covered, as demonstrated in the accounting documents.
At 31 December 2020, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Angri Wells Field with transfer in February 2019, the Nolana Area purification plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 purification plant with transfer in July 2019, the transfers in December 2019 relating to the Medio Sarno 3 purification plant and the Sorrentine Peninsula water area and finally the transfer of the Foce Sarno treatment plant in December 2020.
External operating costs $Opex_{end}$ were defined based on that established in article 17.1 of annex A to Resolution ARERA 580/2019/R/idr when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs suffered by Gori in 2016 placed Gori in class B1 of the regulatory matrix pursuant to article 17.1 of Resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in article 17.2 of annex A to Resolution ARERA, transformed to per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, Gori is placed in quadrant 4 of the regulatory matrix, which therefore leads to $Opex_{end}$ of € 74.6 million.
The GRC was also updated pursuant to art. 27.1 of annex A of ARERA Resolution no. 580/2019/R/idr which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).
With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region for the year 2020, the tariff approved by the EIC by Resolution no. 32 of 20 June 2019 determined the 2016-2019 regulatory scheme for the proposed wholesale water tariff for the "Campania Region" operator and equal to 0.192941 €/cm, with the application for the year 2019 of a theta equal to 1.177 and also confirmed for 2020.
The pertinent cost at 31 December 2020 on the COws relating to regional water supplies, according to the principle of full cost recovery, was approximately € 10.6 million, entered for the same amount in GRC and in the related costs.
As regards the COws of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs.
To determine the relevant costs at 31 December 2020, according to the principle of full cost recovery, amounting to approximately € 10.7 million, reference was made to the tariff for wastewater collection and purification services, equal to € 0.310422/m^3, as a result of the application of the ARERA 338/2015/R/idr Resolution to the regional tariffs for wholesale services, recognised by the parties

within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and Gori, applying it to volumes treated by regional plants.

In 2020 there was a net recovery of adjustments equal to € 7 million. Therefore, the tariff adjustments, as of 31 December 2020, amount to € 143.5 million.

Campania – Gesesa SpA (OTA 1 – Calore Irpino)

The Company operates in Optimal Territorial Area OTA 1 Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service of 22 Municipalities in the Province of Benevento with a resident population served of approximately 120,000 inhabitants over an area of approximately 710 km2 and 57,000 users. The sewerage service is provided to approximately 80% of users while the purification service to about 40%.
In 2018 the IWS of the Municipality of Morcone was acquired and several contacts are under way with new Municipalities for the management of their relative IWSs.
From 17 July 2018 the company redefined the Management Agreement with the Municipality of Benevento by extending its management to the entire IWS, adding Sewerage and Water Treatment to the services provided. As far as the Municipality of Benevento is concerned, an important agreement was reached for the construction of sewerage treatment plants for the city, with agreements with the extraordinary national commissioner being stipulated that should entrust the design phase to the company.
Currently, the Authority – governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 – has not yet assigned the management of the Integrated Water Service.

During the two year period 2019-2020, Gesesa began to establish the foundations consistent with the Resolutions of the Board for a new path of growth and development aimed at achieving strategic objectives that provide for company growth. In this regard, a capital increase operation was already approved to aggregate new operations with the direct assignment of the Integrated Water Service by new Municipalities, using an instrument that is given by the regulatory provisions contained in Italian Legislative Decree 175/2016 containing the "Consolidated Law on companies in which the public administration participates". Art. 4 of the aforementioned regulation allows Municipalities to acquire company shareholdings in activities producing a service of general interest, subject to the body's verification of the economic convenience of the direct or externalised management of the service entrusted to private operators.
This gives the Company the opportunity to proceed with new acquisitions of IWS and therefore to continue its development in the territory falling under OTA 1, pending the identification of the single operator, implementing a management development that, upon reaching at least 25% of the population served, would establish the Company as an interlocutor able to request the direct awarding of the entire territory as Sole Manager.
Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 R.G.N.R., which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.
Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to article 356 of the Criminal Code) and the crime of environmental pollution, pursuant to article 452-*bis* of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.
The Public Prosecutor's Office requested the preventive seizure of 12 purification plants managed by the Company, assigning them to a Judicial Administrator. In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.
The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, which will be begun shortly by the Judicial Administrator.
Additionally, the Company had a private audit carried out with reference to another 18 purification plants managed and not subject to seizure, so as to identify any actions needed to improve purification results.

Relative to updating tariffs, in the biennial tariff update proposal for 2016/2019, pursuant to Resolution 918/2017, the Company implemented the results of the ARERA audit contained in determination DSAI/26/2018/idr, making the necessary changes to the previous tariff structure for 2016-2017. Such conduct should reasonably be positively assessed in the determination of any sanctions by the Authority, currently not determinable by the company and relative to which no specific provisioning has been carried out. At present, provisions and decisions by the Authority are still awaited.
As a result of the above, the items of the Financial Statements concerned – in particular revenues and related customer receivables – were recognised in 2020 on the basis of the Guaranteed Revenue Constraint ("GRC") forecast for 2020 and currently being approved by the EIC.
It should be noted that with Resolution 580/2019/R/idr of 27 December 2019 ARERA approved the water tariff method for the third regulatory period (MTI-3). Following this Resolution, in agreement with the EIC data collection was initiated for the preparation of the tariff proposal for the period covered by the Resolution (2020-2023).

Tuscany – Acque SpA (OTA 2 – Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with an initial 20-year duration was signed on 21 December 2001, then in October 2018 it was extended to 2031. In accordance with said agreement, the Operator took over the exclusive Integrated Water Service of OTA 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

Relative to tariffs, note that on 18 December 2020 EGA approved the proposed 2020 tariff, based on Resolution ARERA 580/2019/R/idr of 27 December 2019. The amount for tariff revenues for 2020 represents the GRC value recognised to the operator. Included amongst revenues are adjustments for systemic changes recognised in the aforementioned proposal and not booked in previous Financial Statements: their value totals approximately € 0.7 million. Total revenues of the period, including adjustments to pass-through items, amounted to € 164.0 million (€ 73.8 million in the Group).

Finally, it is noted that on 24 January 2019 the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: 1) Term Line of € 200.0

million disbursed in a single use and with final single maturity of 29 December 2023 and 2) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.
At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate.

Tuscany – PubliacquaSpA (OTA 3 – Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive Integrated Water Service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts. In June 2006, Acea – via the vehicle Acque Blu Fiorentine – completed its acquisition of an interest in the company.

Total revenues for the year, including adjustments to pass-through items, amounted to € 247.7 million (€ 99.1 million in the Group). Revenues also include the Fo.NI. component for € 30.2 million (Group share € 12.1 million).

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

Tuscany – Acquedotto del Fiora SpA (OTA 6 – Ombrone)

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply Integrated Water Services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and wastewater treatment. The concession term is 25 years from 1 January 2002, and in 2020 was extended until 2031. Via the vehicle Ombrone SpA, in August 2004 Acea completed its acquisition of a stake in the Company's capital.

With reference to tariffs, 2020 is the first year of the first two-year period into which the 2020-2023 water regulatory cycle is divided (MTI-3) in the scope of application of Resolution ARERA 580/2019/R/idr (MTI-3) of 27/12/2019 "Approval of the Water Tariff Method for the third regulatory period MTI-3", with which the Authority definitively governs tariffs for the period 2020-2023. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA for final ratification and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 112.1 million and a share of FoNI equal to € 10.9 million.
The evolution of the regulated water framework in Italy, already outlined following 643/2013, had marked a fundamental point in favour of the stability and bankability of Operators with an increasing reassurance of the lending institutions, the Authority having established a formal guarantee of the achievement and maintenance of the current and future financial equilibrium of IWS management. With MTI-3, ARERA has essentially maintained the underlying logic of the previous tariff method and the basic principles to protect the continuity and financial sustainability of water management.
A regulatory system attentive to the calibration of financial flows related to the investments to be made is in fact an indispensable element to allow the Company to pursue its mission, as evidenced by the signing of the Structured Financing of 30 June 2015.
Relative to the structured financing obtained on 30 June 2015, in February 2020, after the conversations begun already in 2019, the Amendment to the Loan Contract was signed, which revised certain conditions continued in the existing contract; in particular:

- a time extension of the debt repayment plan, with the new maturity sent for 31/12/2029;
- interest rate: 6-month Euribor plus 1.90%;
- amendment to the hedging strategy, establishing coverage of interest equal to 60% of the loan;
- autonomous first request guarantee for Acea SpA;
- agency fees: € 150,000 per year.

To guarantee coverage of interest rate risk for the period after the existing Interest Rate Swap derivatives contract expires, it was necessary to subscribe an additional four new derivative contracts, in addition to those existing, forward started Interest Rate Swap type, starting on 30/06/2022 and expiring on 31/12/2029, for which the fixed interest rate is set at 0.51%.
These contracts guarantee continuity for the hedging strategy established by the Loan Contract signed on 30/06/2015.

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

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

As of 31 December 2020, the rate applied to users was determined on the basis of Water Tariff Method 2 (MTI-2) under Resolution no. 489 2018/R/idr of 27 September 2018 with which ARERA approved the preparation of the 2018-2019 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 9 of 27 July 2018, according to the new criteria established with Resolution 665/17 (TICSI). Consumption in 2020 will be subject to adjustment once ARERA has approved the 2020/2023 tariff proposal resolved by AURI on the basis of Resolution 580/2019/R/idr, or the water tariff method for the third regulatory period MTI-3. On the basis of the determinations of the ARERA, the revenues for the period were valorised for a total of € 81.5 million (Group share € 32.6 million), including the adjustment of passing items.

Progress of the procedure for approving the tariffs

With Resolution 580/2019/R/Idr, ARERA approved the tariff method for the third regulatory period 2020-2023 (MTI-3), setting 30 April 2020 as the deadline by which the area governing body or other competent entity should have submitted the relevant regulatory framework containing the tariff provisions for ap-

proval by the Authority. The same Resolution also defined the methods and timing of the application of fees to users related to the tariff approval process.
It should be noted that as a result of the Covid-19 emergency situation, which prompted the Authority to defer several deadlines envisaged by the regulation for the regulated sectors, the deadline of 30 April 2020 set in Resolution 580/2020 was postponed first to 30 June 2020 (Resolution 59/2020/R/com) and lastly to 31 July 2020 (Resolution 235/2020/R/idr).
However, pending the tariff update implementing the new MTI-3 tariff method, the tariffs calculated on the basis of the tariff multiplier resulting from the economic and financial plan already approved under the current tariff provisions remain valid for the year 2020 (i.e. the plan relating to the two-year update 2018-2019 approved by ARERA, or, as such approval has not yet taken place, the plan approved by the AGBs or competent entities).
With a specific communication to operators of 5 February 2020, ARERA noted that the checks relating to the proposals for the two-year update of the tariff provisions for the years 2018 and 2019 submitted by AGBs pursuant to Resolutions 917/2017/R/idr and 918/2017/R/idr and not yet specifically approved by the Authority will be completed as part of the checks on the specific regulatory frameworks proposed for the third regulatory period (2020-2023), in compliance with the water tariff method MTI-3 referred to in Resolution 580/2019/R/idr. In the same statement, ARERA also specified that for the two-year period 2018-2019 the tariff determinations adopted by the competent entities remain valid, which will be assessed as part of the quantification of the adjustment components referred to in article 27 of MTI-3 when approving the new regulatory framework.

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023.

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Acea Ato 2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approval is awaited. The term of ninety days defined by Resolution 580/2019 expires at the end of February 2021.
Acea Ato 5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the $Opex_{qc}$. ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the $Opex_{qc}$. Approval by the ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with Resolution 1/2021. ARERA has not yet issued a warning to the AGB and the AGB has not yet called the Conference of Mayors for tariff approval.
Gori	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with $Opex_{qc}$ as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. ARERA has not yet issued a warning to the EIC and the EIC has not yet called the Conference of Mayors for tariff approval.
Acque	On 05 October 2017, the AIT approved the tariff with recognition of the $Opex_{qc}$. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, the ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. The period for ARERA approval ends March 2021.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. On 12 October 2017, with Resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.

(follows)

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Acquedotto del Fiora	On 05 October 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. On 12 October 2017, with Resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised $Opex_{qc}$) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. The period for ARERA approval finishes at the end of 2021.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. On 26 October 2017, with Resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4. The period for ARERA approval finished at the end of December 2020.
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	Discussions with the EGAM are in progress for the 2020-2023 tariff provisions.
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. ARERA has not yet issued a warning to the AGB and the AGB has not yet called the Conference of Mayors for tariff approval.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates.	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. The period for ARERA approval finishes at the end of 2021.

(follows)

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the $Opex_{qc}$. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018.	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 02 February 2021.
S.I.I. Terni S.c.a.p.a.	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with Resolution 290/2016 of 31 May 2016.	With Resolution of the Board of Directors of AURI no. 64 of 28/12/2018, approval was given t o the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its Resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the Resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with Resolution 553/2020 of 15 December 2020.

Revenues from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in 2020 valued on the basis of the new MTI–3 Tariff Method, since discussions with the respective AGBs are ongoing. The data also include the adjustments of passing items and the Fo.NI component.

Company	Revenue from the IWS (pro quota values in € million)	Fo.NI. (pro quota values in € million)
Acea Ato 2	655.2	FNI = 42.5 AMM_{FoNI} = 11.0
Acea Ato 5	80.7	FNI = 3.7 AMM_{FoNI} = 4.2
Gori	199	AMM_{FoNI} = 3.2
Acque	73.8	AMM_{FoNI} = 4.3
Publiacqua	99.1	AMM_{FoNI} = 12.1
AdF	112.1	AMM_{FoNI} = 10.9
Gesesa	13.4	AMM_{FoNI} = 0.1
Geal	8.3	AMM_{FoNI} = 0.8
Acea Molise	5.3	-
S.I.I.	16.1	FNI = 0.2 AMM_{FoNI} = 1.8
Umbra Acque	32.6	-

RELATED PARTY TRANSACTIONS

ACEA GROUP AND ROMA CAPITALE

Trading relations between Acea Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.
Among the principal services are the management, maintenance and upgrading of Public Lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.
Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.
Acea and Acea Ato 2, respectively, provide Public Lighting and Integrated Water Services under the terms of two thirty–year concession agreements. Further details are provided in the section *Service concession report*.
In 2019, Roma Capitale and the Acea Group began a technical round table to define some previous positions regarding the services provided under water service and Public Lighting contracts. At present, the parties are continuing to reconcile their respective items.
For further information regarding relations between the Acea Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 24 of this document.
The following table shows details of the main revenues and costs at 31 December 2020 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

	Revenues		Costs	
€ thousand	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Supply of fresh water	41,862	40,698		
Supply of electricity	35	56		
Public Lighting service contract	33,666	40,631		
Public Lighting contract interest	7,000	5,117		
Water maintenance service contract	185	228		
Monumental fountain service contract	185	228		
Concession fee	0	0	26,333	26,115
Lease fees	0	0	110	110
Taxes and duties	0	0	3,857	3,595

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

€ thousand	31/12/2019	Collections/payments	Accruals 2019	31/12/2020
Receivables	234,898	(125,393)	83,223	**192,729**
Payables	(201,239)	92,767	(112,844)	**(221,316)**

ACEA GROUP AND ROMA CAPITALE GROUP

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

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

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

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA SPA	2,408	1,343	3,405	5,032
ATAC SPA	116	153	7,728	1,132
ROMA MULTISERVIZI SPA	(1)	0	0	0
Total	**2,523**	**1,496**	**11,134**	**6,164**

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The Acea Group companies maintain trading relations that mainly concern the supply of electricity and water.
The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to Free Market users are in line with the sales policies of Acea Energia.

Note that during the year, joint venture agreements were signed which led to the Acea Group acquiring, from the Caltagirone Group, 49.9% of Energia SpA, a photovoltaic company which is a subsidiary of the Caltagirone Group. As illustrated in the *Report on Operations*, the company was acquired on 27 May 2020 and is consolidated at equity.
The following table shows the most significant amounts relating to financial relations between the Acea Group and the main entities owned by the Caltagirone Group at 31 December 2020.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	104	0	(9)	(3)

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 31 December 2020.
It must also be noted that the financial balances described above do not include relations with companies in the Group consolidated under the equity method., which are included in the Financial Statements.

List of significant related party transactions

It should be noted that no non-recurring significant transactions with related parties were carried out during the period.

The table below shows the percentage weight of transactions with related parties on the statement of financial position, the Income Statement and the cash flow statement.

IMPACT ON THE STATEMENT OF FINANCIAL POSITION

€ thousand	31/12/2020	Of which with related parties	Impact	31/12/2019	Of which with related parties	Impact
Financial assets	38,781	21,156	54.60%	47,202	26,144	55.40%
Trade receivables	981,509	72,080	7.30%	1,035,462	99,798	9.60%
Current financial assets	379,859	143,097	37.70%	113,960	121,968	107.00%
Trade payables	1,627,119	77,230	4.70%	1,524,876	111,319	7.30%
Financial payables	419,822	133,714	31.90%	408,675	79,616	19.50%

IMPACT ON THE INCOME STATEMENT

€ thousand	31/12/2020	Of which with related parties	Impact	31/12/2019	Of which with related parties	Impact
Consolidated net revenues	3,379,392	103,822	3.1%	3,186,136	87,443	2.7%
Consolidated operating costs	2,254,577	53,743	2.4%	2,185,306	39,349	1.8%
Total financial (costs)/income	**(88,018)**	**1,910**	**(2.2%)**	**(95,419)**	**4,787**	**(5.0%)**

IMPACT ON THE CASH FLOW STATEMENT

€ thousand	31/12/2020	Of which with related parties	Impact	31/12/2019	Of which with related parties	Impact
Increase in receivables included in the working capital	25,854	27,718	107.2%	(118,892)	(15,816)	13.3%
Increase/decrease in payables included in the working capital	(174,236)	(34,089)	19.6%	41,729	(13,180)	(31.6%)
Collections/payments deriving from other financial investments	(1,034,008)	(16,142)	1.6%	(177,824)	(30,620)	17.2%
Collected dividends	29,848	29,848	100.0%	16,787	16,787	100.0%
Decrease/increase in other short-term financial debts	(20,795)	54,098	(260.2%)	(89,136)	78,989	(88.6%)
Dividends paid	(93,212)	(93,212)	100.0%	(73,795)	(73,795)	100.0%

UPDATE ON MAJOR DISPUTES AND LITIGATION

TAX ISSUES

Tax audit of SAO (now incorporated into Acea Ambiente)

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of article 14, paragraph 4-*bis* of Law no. 537 of 24 December 1993.
The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of article 14, paragraph 4-*bis* of Law no. 537 of 24 December 1993, upon which the tax assessment was based.
By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.
By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs.
On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now Acea Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.
In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD SpA, with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of article 14, paragraph 4-*bis* of Law no. 537 of 24 December 1993.
The Company's defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.
It is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous Shareholder (Enertad, now Erg Renew) will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regarding the shares of the direct Parent Company A.R.I.A. S.r.l. (now Acea Ambiente s.r.l.)
For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to € 1.3 million, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Revenue Agency submitted an appeal in September 2010. The proceedings are in progress. It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By ruling no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

Tax audit of *areti*

In the Report on Findings (PVC) concerning the general inspection for 2010, am assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.
On the basis of the notification made in the PVC, the Lazio DRE – Major Taxpayers' Office served five notifications of assessment concerning VAT for 2009, 2011, 2012, 2013 and 2014.
With regard to the notices relating to 2009, 2011 and 2012, the Regional Tax Commission considered the company's reasons valid and annulled the notices of assessment, and the litigation is now pending before the Court of Cassation. With regard to the year 2013, the CTP rejected the appeal filed by the Company. The date of discussion for the notice of assessment for the year 2014 has not yet been set.
On the basis of another report, the Company received notices of assessment for the years 2011 to 2014 concerning the IRAP treatment of tariff benefits granted to employees and former employees. With regards to the year 2011, the Regional Tax Commission, confirming the first level judgement, annulled the notification. The case is now pending with the Court of Cassation. With regards to the year 2012, the Provincial Tax Commission annulled the notice of findings and the Revenue Agency filed an appeal against this judgement. The Company is waiting for the date to be set for the second level hearing. For the year 2013, the CTP rejected the Company's appeal. On 23 January 2020 the Company served notice of appeal against the first instance decision. A first instance hearing has not yet been scheduled for the year 2014.

Tax disputes/lawsuits with ARSE

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo S.r.l., a company in the photovoltaic segment. The tax demanded, including interest, amounts to € 672 thousand.
On 7 March 2017, the beneficiaries of the ARSE – Acea SpA, Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.
On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. As of today's date, a hearing to discuss this case has not yet been scheduled.
On 14 June 2012, the Company was delivered a Report on Findings from the Italian Financial Police – Rome Tax Police Department following its inspection to check the correct use of the tax

suspension provisions under the VAT tax warehouse system pursuant to article 50-*bis* of Italian Decree Law 331 of 30 August 1993 ("VAT Deposits"), relating to certain assets imported by the Company in 2009, 2010 and 2011.
Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports – for 2009, 2010 and 2011 – amounting to a total of € 16,198,714.87.
On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.
The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.
The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Deposits, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

Tax audit of Acea Ato 5

On 7 March 2018 the Guardia di Finanza – Economic and Financial Police Unit of Frosinone – Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.
It is also noted that on 21 December 2018 the Court of Frosinone – section of the judge for preliminary investigations notified the Company of a decree of preventive seizure (no. 3910/2018) of the financial resources present in the Company's current accounts up to the value of € 3.6 million, charging the Company with a crime under art. 4 of Italian Legislative Decree 74/2000.
On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.
On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKO0C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against this sanction before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.
In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.
It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.
Finally, it is noted that on 1 February 2019, having examined the request for review pursuant to art. 324 of the Italian code of criminal procedure proposed by the Company, the Court of Frosinone, having heard the parties in the Council Chamber at the hearing and dissolved the reservation, annulled the decree of preventive seizure issued by the examining judge and ordered the restitution of the seized property to the party entitled.
It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.
As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017, except for what had already been found for 2013 with the previous PVC of 25 October 2018 and partly amended.
Also in relation to this last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.
Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- notice of assessment no. TKQ0E6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0C6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of assessment were served to the Parent Company Acea as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely unfounded.
Lastly, it should be noted that the Company paid a third of the amounts ascertained for a total amount of € 3,311,335 during H1 2020.
On 19 January 2021, a public hearing was held regarding the assessments of IRES for 2013 and IRAP for 2014. The judgement has not yet been issued.

Customs verification of Umbria Energy SpA

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.
The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.
The company promptly challenged these provisions with the relevant institutions.
In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjustments, the procedure to be applied is that of submitting a formal request for reimbursement to the Office in accordance with art. 14 of the Environment Act. The relevant sentences were promptly appealed by the Company and the corresponding judgements are currently pending before the Perugia CTR, which has postponed the proceedings to be rescheduled.
With regard to the deeds challenged by the Company relating to the electricity injected for consumption in the province of Terni for the year 2010, the decision of appeal, while confirming the decision of the first instance with regard to the tax due, found that the obligation of the Office to recalculate the penalty was justified.

The ruling was promptly appealed by both the Company and the Customs Agency and the relevant case is currently pending before the Supreme Court of Cassation.
Management carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional, appointed to defend the Company.

At 31 December 2020 there are no new elements that would change the assessment of the risk inherent to the dispute in question and the provision has been kept unchanged with respect to the previous year.

OTHER ISSUES

Acea Ato 5 – Injunction Order requested for credit collection on the settlement agreement of 2007 with OTAA 5.

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, Acea Ato 5 lodged an appeal for an injunction order concerning the receivables recognised by the OTAA to the company.
Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.
By notice dated 22 May 2012, the OTAA sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.
Acea Ato 5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.
Following the hearing on 17 July 2012, the Judge – in an Order filed on 24 July – suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.
The judge also rejected the request for an order of payment of the concession fees submitted by the OTAA.
During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case.
In sentence 304/2017, published on 28 February 2017, the civil judge revoked the injunction decree issued in 2012, rejected the subordinate re-conventional request by Acea Ato 5 and ordered the deferral of the case in the preliminary proceedings concerning the re-conventional request by the OTAA as regards the payment of the concession fees.
At the hearing of 17 November 2017, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato 5 and OTAA , granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.
At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. The proceedings were first postponed to 17 March 2020 and then automatically postponed to 11 September 2020. The judgement was further postponed, first to 15 December 2020, then to 12 February 2021 and finally to 26 March 2021.
In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court.
The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281-*sexies* of the code of civil procedure. The case was then further postponed after a request by the parties, to 30 June 2021.
The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato 5 SpA to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- the legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.

The validity of the appeal and the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.
In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA 5 Conference of Mayors, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the "savings on the concession fees to be paid to the Municipalities" (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to "unspecified savings on the concession fees to be paid to Municipalities" was not considered adequate and sufficient;
- considered that there are valid and grounded reasons to grant the Operator's request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company's Financial Statements.

Acea Ato 5 – Lazio Regional Administrative Court appeal of contract termination

With regard to the matter of the termination of the Management Agreement, we are awaiting rulings on the appeals filed by several Municipalities of the OTA5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court – detached section of Latina upheld the appeal filed by the Company against Resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the Resolution, annulling the measure.

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

Acea Ato 5 – ASI Consortium

The ASI Consortium filed two injunction decrees for the reimbursement of the portion of the treatment service carried out on behalf of Acea Ato 5 (case value € 14,181,770.45). The two decrees were opposed by the Company which, in turn, submitted an application for the supply of water for industrial use provided to the Consortium. Specifically:

- with regard to the proceedings instituted following appeal 3895/2013 (value of the judgement € 7,710,946.06), the parties to the proceedings approved the settlement plan and on 15 May 2018 the final settlement agreement was signed between Consorzio ASI, Acea Ato 2 and Acea Ato 5;
- with reference to the judgement following appeal no. 3371/2016 (judgement value € 6,470,824.39), the judge postponed the hearing until 8 February 2019. On that occasion, as negotiations are still in progress between the parties for the settlement of the case, a further postponement was ordered to 25 June 2019, 22 November 2019 and subsequently to 31 March 2020. Lastly, a further postponement of the hearing to 15 December 2020 was ordered. The next hearing has been set for 2 March 2021.

At the same time, during the aforementioned settlement discussion, the opportunity emerged to transactively define reciprocal debit/credit positions for the 2016-2017 period, as well as the opportunity to reach the settlement of a framework agreement aimed at regulating – starting from 2018 and for the future – the water supply service provided by Acea Ato 5 to the ASI Consortium, as well as the sewerage and treatment service rendered by ASI for Acea Ato 5. With regard to this last aspect, on 9 January 2019 an agreement was signed by the parties.

Conversely, no final agreement has yet been reached for the period 2012-2017. The objective, of course, is to seek an amicable solution for the settlement of mutual credit relations. Finally, the parties reached an amicable settlement for the reciprocal receivables relative to the 2012-2017 period, applying the same criteria already adopted when concluding the inter partes relations for the 2004-2011 period. Hence, the parties agreed to partially offset the reciprocal debtor positions, given that Acea Ato 5 has a debt due to the ASI Consortium totalling € 4,726,869.00, which Acea Ato 5 paid with an initial instalment of € 1,726,869.00 as of the date the agreement took effect, followed by 12 subsequent payments of € 250,000.00. An integral part of the Settlement Agreement is the commitment made by Acea Ato 5 to acquire, for pay, the water network owned by ASI, for an amount to be determined within the limits established in the Agreement in question, after an appraisal to be carried out by a third party hired by the OTS and without prejudice to the fact that the entire operation is subordinate to express consent from the Area Authority. The efficacy of the agreement is further subordinate to approval from the respective Boards of Directors. Finally, note that the ASI Board of Directors approved the draft Settlement Agreement on 28 January 2021 and the same document was approved by the Acea Ato 5 Board of Directors on 8 March 2021. On 15 March 2021, the parties signed the Agreement.

Acea Ato 5 – Municipality of Atina – City Council Resolution no. 14 of 17 April 2019

Following the transfer of the management of the IWS of the Municipality of Atina to Acea Ato 5, on 19 April 2018, the Municipality decided to "establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2-*bis* of Italian Legislative Decree 152/2006, declaring the Integrated Water Service «local public service without economic importance»" (Municipal Council Resolution no. 14 of 17 April 2019).

OTAA 5 appealed the above Resolution before the Lazio Regional Administrative Court – Latina Section – also serving the Company and the Lazio Region.

As far as Acea Ato 5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Operator, the Company has deemed it appropriate to file suit.

The case is docket RG 503/2019 and the hearing has yet to be scheduled.

Acea SpA – SMECO

With a writ served in the autumn of 2011, Acea was summoned to court to answer for alleged damages that its alleged non-compliance with unproven and non-existent obligations that are assumed to have been part of the Shareholders' agreement regarding the subsidiary A.S.A. – Acea Servizi Acqua, by its minority Shareholders and their respective Shareholders. The petition is for more than € 10 million.

With sentence no. 17154/15 of 17 August 2015, the Court rejected the application in its entirety and sentenced the parties jointly and severally to the reimbursement of Acea for legal expenses. On 1 October 2015, SMECO lodged an appeal to the 2nd Section of the Court of Appeal of Rome. After a number of postponements, the hearing to clarify the conclusions was set for 3 November 2020. The decision has not yet been issued.

Acea SpA – Milano '90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina no. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline.

Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form. Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed.

Milano '90 opposed the aforementioned injunction - also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages - obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

Judgement of Appeal
On 26 April 2018, Milano '90 filed an appeal against the above judgement. As a result of the oral hearing, with an order dated 25 October 2018 the Court of Appeal rejected the request for suspension. Specification of the conclusions was most recently postponed to 25 June 2021.

Executive procedure
Following the favourable first instance ruling, on 27 March 2018 Acea filed the appeal for the resumption of the enforcement procedure against Milano '90 and the garnishment order and the hearing was postponed to 9 October 2018 for the appearance of the parties and the prosecution. As a result of this hearing, the Judge ordered a postponement for the possible assignment of the foreclosed sums pending the decision of the Court of Appeal on the injunction of the contested judgement. The hearing was last adjourned to 27 November 2019 and the judge put in place conditions. With order dated 11 February 2020 the enforcement judge cancelled the previous conditions and ordered the allocation of € 6,445,687.75 plus legal costs and interest in favour of Acea.
Quite unexpectedly, following the service of the order, on 12 March 2020 the seized third party filed an appeal against the enforcement, requesting a declaration of nullity of the order for the allocation of the seized sums.
By order dated 24 March 2020 and without a hearing, the Enforcing Judge ordered the suspension of the enforceability of the assignment order and set a hearing on 24 February 2021 to decide on whether to confirm, amend or revoke the measure. The Judge's official order has not yet been issued.

Acea SpA – Trifoglio S.r.l.
The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.
Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called "Autoparco property", which should have been paid on 22 December 2011. In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-*bis* of the Code of Civil Procedure. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Cases as a defendant: Trifoglio has notified Acea and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.
By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of Acea aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (€ 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of Acea with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017 Trifoglio filed an appeal, with a hearing for conclusions last postponed to 17 June 2021.

Acea SpA – Former COS rulings
The COS dispute concerns the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.
It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (i.e. the assessment of the right to establish a relationship), both heard on 4 April 2019 by the Council. These judgements were settled by dismissal orders – made on 2 and 10 July 2019 – of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.
The workers – who have so far claimed the differences in pay for lack of performance – have therefore started to work concretely at Acea800 as of 3 February 2020 following a posting to this company, despite having established the relationship with Acea, in execution of the court order.
Based on the judgements concerning the *an debeatur*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time introduced judgements quantifying their claims, requesting the payment of the wages due as a result of the established relationship and regarding different periods of accrual of the alleged claims, which have led to disagreements that are pending at various levels of jurisdiction. In detail, with regard to the number of cases currently pending at the Court of Cassation, a first judgement was settled with a sentence in favour of Acea on 31 October 2018, against which the counterparties appealed for revocation by means of a document served on 30 April 2019. One other quantification judgement is still pending with the Court of Justice.
Finally, another quantification judgement is still pending with the Rome Court of Appeals, regarding pay differences accrued between 2010 and 2014, proposed by the same workers. The judgement was suspended while awaiting the decision which the Cassation made concerning the an debautur for the request (see above), ordinances issued in July 2019 and after which the judgement was again taken up. Currently, the next hearing has been postponed to March 2021, to allow negotiations aimed at settlement of the dispute. Further in December 2020, a settlement was reached with one of the six counterparts.
Most recently, two of the workers filed a quantification judgement relative to pay differences between 2014 and 2019. Challenges to the injunction orders issued in favour of the two workers are currently in course, with the hearing of appearance set for 14 June 2021.

Acea SpA – Municipality of Botricello
In 1995, the Municipality of Botricello transferred management of its Integrated Water Service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco S.c.a.r.l.. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco S.c.a.r.l. and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.
The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.
Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

Acea SpA and *areti* SpA – MP 31 S.r.l. (formerly ARMOSIA MP S.r.l.)

This is a challenge to the Injunction Order issued by the Court of Rome, docket no. 58515/14, issued against *areti* for the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April, May and June 2014 in relation to the property in Rome – Via Marco Polo, 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and *areti* (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by *areti*. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against *areti*, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.

Acea filed an appeal, served on 2 January 2018.

The appeal hearing was initially set for 16 April 2020 and then postponed to 16 June 2022.

Acea SpA and Acea Ato 2 SpA – Co.La.Ri.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi S.r.l. – respectively the manager of the Malagrotta landfill (prov. Rome) and the executor – summoned Acea and Acea Ato 2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003-2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area 2 Authority Central Lazio – Rome. As a result of this hearing, the judge granted the terms under art. 183 of the Italian Code of Civil Procedure and scheduled the subsequent preliminary hearing for 28 March 2019, then postponed until 12 November 2019. On that date the judge set the hearing for conclusion, most recently postponed to 22 March 2021.

Acea Ato 2 SpA – Regulation of the hydrometric level of Lake Bracciano

The Ordinances issued by the Director of the Regional Directorate for Water Resources, Soil Protection and Waste no. 0375916 of 20 July 2017 and no. 0392583 of 28 July 2017 concerning the Regulation of the hydrometric level of Lake Bracciano were both challenged by Acea Ato 2 before the Superior Court of Public Waters (TSAP) with separate appeals.

At the hearing before the Investigating Judge held on 24 January 2018, it was requested that the matter of the dispute be dismissed, in consideration of the subsequent Determination of the Regional Director for Water Resources, Soil Protection and Waste no. G18901 of 29 December 2017 concerning "Supply of the basin of Lake Bracciano as a strategic water reserve and seasonal compensation for drinking water. Taking note of the will of Acea Ato 2 not to activate the derivation of the Lake of Bracciano". The hearing before the Court for the declaration of the dismissal of the dispute is scheduled for 28 November 2018 and as a result of the same the TSAP declared, for both judgements, the impossibility to proceed with the appeal due to supervening lack of interest.

The same for the aforementioned regional provision no. G18901 dated 29 December 2017, Acea Ato 2 proposed an appeal, with a request for suspension, before the TSAP. With a ruling of 6 August 2019, the Superior Court of Public Waters rejected the appeal brought by Acea, while pointing out that it cannot be prevented from carrying out temporary and controlled withdrawals from the lake, strictly related to the carrying out of conservative maintenance actions aimed at minimising the risks of water potability.

In October 2019, Acea Ato 2 appealed to the United Sections of the Supreme Court of Cassation in order to protect the concession. The hearing was held on 15 December 2020 and, after it ended, with judgement 252 of 12 January 2021, the Supreme Court rejected the appeal filed by Acea Ato 2.

Acea Ato 2 SpA and Acea Ato 5 SpA – Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, Acea Ato 2 challenged the regional Resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL Resolution no. 56 of 6 February 2018, GRL Resolution no. 129 of 20 February 2018, GRL Resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With Resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged Resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued Resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged Resolutions. There have been a number of postponements, and most recently the hearing was set for 20 May 2021. A similar appeal was filed by Acea Ato 5 SpA and, in this case as well the hearing was postponed to 20 May 2021 due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

Acea Ato 2 SpA – Parco dell'Aniene S.c.a.r.l.

In June 2019 the company Parco dell'Aniene S.c.a.r.l. sued Acea Ato 2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara – Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more than € 105 million. The Judgement is currently pending before the Court of Rome and the first hearing was postponed to 7 October 2020 to allow the summons of the third parties involved. After this hearing, the Judge, initially holding that that the objection raised by Acea regarding a lack of jurisdiction is enough to issue a judgement, postponed the hearing for the clarification of conclusions to 30 June 2021 without, at that time, ordering any investigatory activities.

Note that the counterparty simultaneously introduced an appeal regarding jurisdiction with the United Sections of the Supreme Court of Cassation. The date for the relative hearing has not yet been set.

Most recently, on 11 February 2021 the counterparty filed an ap-

peal pursuant to article 700 of the Italian Code of Civil Procedure, asking the Judge to avoid aggravating the damages and end the alleged prejudicial conduct.
The appeal filed introduced a precautionary sub-proceedings in the context of the already pending judgement, with the hearing for the appearance of the parties set for 30 March 2021.

Acea Ato 2 SpA – Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three judgements are currently pending before the Superior Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) – with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale – which involve Acea Ato 2 and Roma Capitale as counterparties.

Appeals brought by the Postribù Association and the Municipality of Casaprota

With regard to both appeals – served respectively on 16 and 19 September 2019 – at the hearing on 4 March 2020 the examining magistrate reserved judgement on the preliminary requests made by the applicants and postponed any skeleton pleadings to the hearing of 23 September 2020. At the hearing, after rejecting the investigation requests made by the counterparties, the Judge asked for specification of conclusions at the collegial hearing, held on 20 February 2020. The judgement has not yet been issued.

Appeal filed by the Municipality of Rieti

With regard to this appeal, served on 16 September 2019, at the hearing on 4 March 2020, as per the opposing party's request, a postponement to 23 September 2020 for examination of the opponent's brief and any preliminary statements was ordered. The Judge set the date for the next hearing for the filing of briefs and counterbriefs and any conclusions for 10 February 2021. At the hearing, the case was referred to the Board for the decision, for a collegial hearing on 17 March.

Acea Ato 2 SpA – Enel Green Power Italia S.r.l.

With an appeal of 27 July 2020, Enel Green Power Italia S.r.l. (EGP) summoned Acea Ato 2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement in effect between the parties as of 1985), for electricity which could not be produced with the Farfo 1° salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.
More specifically, the appellant states that between 2009 and 2019, Acea, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears.
Acea Ato 2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.
Based on the application of this calculation method, Acea Ato 2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus legal interest, in that it was not due from Acea Ato 2.
The first hearing was held on 15 December 2020 and at that time the Investigating Judge postponed the case to 20 April 2021 for continued discussion of the issues, assigning a deadline for notes and reserving for the conclusion all decisions both regarding the inclusion of cross examination of the Area Authority requested by Acea and in relation to the objection of a lack of jurisdiction for the Waters Court also raised by the same.

Areti SpA – Gala SpA

The pending disputes generated by the complex matter are summarised below.

Precautionary measures

Against the enforcement of guarantees issued, on 12 April 2017 Gala filed a cautionary appeal as per art. 700 of the Code of Civil Procedure against the collection on 12 April, obtaining a decree inaudita altera parte, which initially prevented *areti* from exercising its right to collect the guarantees. This decree was thereafter revoked by court order of 30 May 2017, which fully recognised the rights of *areti*.
On 1 June 2017, given the continuation of the serious breach of contract, *areti* notified the termination of the transport contract and also the collection of the additional contractual guarantees.
On 6 June, Gala appealed against the cautionary ordinance of 30 May and, again, on 9 June, submitted a second independent appeal for urgent measures before the Court of Rome, requesting a declaration of invalidity of the termination ordered on 1 June 2017 and initially obtaining the issuing of a decree inaudita altera parte in its favour.
On completion of both legal proceedings, the reasoning of *areti* was again completely recognised, with the issuing on 12 July of a board ordinance rejecting the appeal, following which the judge, called upon to decide on the second appeal as per art. 700 of the Code of Civil Procedure, asked the parties not to appear at the hearing, declaring that the appeal could not continue by ordinance of 13 July 2017.

The first judgement filed by the guarantor Euroins Insurance p.l.c.

In July 2017, Euroins Insurance plc, guarantor of Gala, independently introduced assessment proceedings to have declared the non-existence of its guarantee obligation. *Areti* requested right from the first hearing of appearance of 28 December 2017 to have that judgement consolidated with the ordinary judgement of opposition to the injunction order of the GSE (see below).
The trial is currently pending before Section XVII of the Court of Rome, with a hearing for skeleton pleadings set for 25 November 2020. In January and February 2021 the final briefs were filed and the decision has not yet been issued.

The injunction issued in favour of GSE SpA

GSE SpA, after notifying *areti* to pay the general system charges due by Gala, even if it has not been paid, requested and obtained from the Court of Rome an injunction, not immediately enforceable, against *areti* for payment of part of these charges. The injunction was promptly opposed by *areti* with a writ of summons served to GSE and inscribed in the rolls in December 2017, with the simultaneous summons, as a guarantee, of Gala and its guarantors (China Taiping Insurance (UK) Co. Ltd and Insurance Company Nadejda), the first hearing scheduled for March 2019.
Note that in July 2018, in view of access to the mechanism provided for by ARERA Resolution no. 50/2018/R/eel of 1 February 2018 for "recognition of charges that would otherwise not be recoverable for failure to collect general system charges", *areti* paid the GSE the sum specified in the opposed injunction.

Consequently, the parties have agreed to abandon the judgement and, by decree of 13 May 2020, it has been declared closed.

Gala's citation to *areti*, Acea Energia SpA and Acea SpA

By means of a summons served in March 2018, Gala requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with *areti* in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by *areti*, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.
Gala also requested that the behaviour of *areti* and other defendant companies – Acea SpA and Acea Energia SpA – be declared acts of unfair competition, condemning them to pay the corresponding damages.
The companies of the Acea Group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.
In addition, as a counter-claim, *areti* has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of Gala of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.
The judgement is currently pending before the 17th civil section of the Court of Rome and on 5 November 2018 the Designated Judge assigned to the parties the terms for the presentation of their briefs pursuant to art. 183, paragraph 6 of the Code of Civil Procedure starting from 9 December 2018 and set the hearing for 12 May 2021 for the clarification of the conclusions, without prejudice to any preliminary investigation to be carried out.
With decree of 13 June 2019 the Investigating Judge ordered an assessment by a court-appointed expert. The draft of the expert witness was submitted on 17 March 2020, with a deadline for comments on 13 July 2020. In view of the hearing for examination of the technical expert's findings, Gala filed a request for an appeal to the European Union Court of Justice. After this hearing, on 1 October 2020, the Judge granted a deadline for the filing of briefs and requests for clarifications and responses, reserving all other decisions. With an order dated 16 November 2020, the Judge then determined the case should not be sent to the Court of Justice and, deeming the case ripe for a decision, confirmed the already set hearing for conclusions on 12 May 2021.

Areti SpA – Metanewpower

In November 2015, in its capacity as operator of the electricity distribution network, *areti* entered into a transport contract with Metanewpower, which operates in the sale of electricity to end users, a contract it repeatedly breached.

Judgement on guarantees

With summons served on 7 September 2018, Metanewpower (MNP) challenged the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the system charges regardless of the actual collection from the end customer, claiming compensation for damages due to the performance of the guarantees for about € 2.0 million.

In the meantime, due to the serious breach of contractual obligations, on 8 October 2018 *areti* notified MNP of the termination of the transport contract.
In the course of the proceedings, in December 2019, the counterparty amended its claim for damages, quantifying them at over € 34.0 million.
After the hearing on 7 October 2020, the Judge, rejecting the counterpart's request for a technical expert, set the hearing for conclusions for 3 March 2022.

Precautionary measure

With an urgent ante causam appeal pursuant to art. 669-*bis* and 700 of the Italian Criminal Code, MNP brought an action before the Court asking it to order the suspension of the effects of the termination for non-fulfilment of the transport contract ordered by *areti* and of the request for enforcement of the guarantee policy issued by MNP on 26 September 2018, ordering *areti* to restore the execution of the energy transport contract.
By order of 15 November 2018, the Investigating Judge, lifting the reservation on the outcome of the hearing of the parties, granted the precautionary measure, recognising from a marginal standpoint the violation of the distributor's duty to cooperate despite Metanewpower's default, each party paying their own legal expenses.

Ordinary Judgement

Following the conclusion of the precautionary phase, with a summons served on 5 December 2018, MNP instituted ordinary proceedings, contesting the validity of the contractual clauses and claiming compensation for damages due to the annulment of the termination of the contract following the aforementioned Court order. The request amounts to over € 13.0 million. The first hearing was on 4 November 2020. At that time, the Judge set the deadlines for briefs and set the date for the next hearing for 21 April 2021.

Recovery of *areti*'s receivable from Metanewpower

On 30 May 2019, following MNP's continuing breach, *areti* ordered a new contractual termination and initiated the recovery of its receivable, obtaining the issue of an injunction for the amount of approximately € 3,850,000.00 by way of default. For the same reasons mentioned above, MNP lodged a challenge to the injunction and the first hearing was first scheduled for 14 May 2020 and then postponed to 3 December 2020. At this hearing, the Judge reserved their decision on the request for granting provisional enforcement of the decree and the judgement is still awaited.

Gori SpA – Consorzio di Bonifica Integrale del Comprensorio Sarno

The Consorzio di Bonifica Sarno sued the Company to order it to pay over € 20 million in concession fees due for the use of the consortium channels used to deliver the wastewater produced in the area under the Company's management. In particular, this quantification was derived from the acts of the Consortium, which unilaterally fixed the percentage of 45% (and then 26/62% from 2013) as part of the contribution relating to the collection of wastewater pertaining to Gori. In this regard, it should be noted that, as things stand, the agreement between the Consortium and Gori has not yet been defined (and therefore stipulated), so that the request for payment due to breach of contract would appear, *prima facie*, unfounded due to the absence of a contract, which is necessary in relations with a public administration like the Consortium. Moreover, the Company also highlighted the substantial irrelevance of the "benefit" received for the use of the consortium network. Moreover, in addition to the necessary contractualisation of the relationship, it is necessary that Ente Idrico Campano – i.e. the public administration competent according to the law – provide for the coverage of the alleged costs for concession fees (once the relevant calculation methods have been defined) in the IWS tariff of the OTA 3. Moreover, such costs – qualified as "updatable operating costs" pursuant to art. 27 of annex A to the Resolution of ARERA 664/2015/R/idr – are always recognised by the local regulatory authority (i.e. Campania Water Authority) and by the national regulatory authority (i.e. ARERA). That said, the Court considered it necessary to entrust a technical consultant with the task of "quantifying any amounts owed by the defendant Gori for consortium charges in relation to what was deducted in [the Consortium's] application on the basis of such obligation and the period of reference, including distinguishing the amounts year by year", "after examining the documentation produced and taking into account what was found therein".

In the course of the expert appraisals, given the impossibility of determining a "contribution" that would have to be agreed upon during negotiations, the court-appointed expert asked the parties to produce documents and calculations in order to arrive to quantify the contribution due by the Company based on a logic specified by the expert. With the objection of the Consortium's legal counsel on the production of new documents, the expert concluded the appraisal, declaring that it was not possible to answer the questions based on the documents in the record alone. However, the expert filed a report declaring that it was impossible to quantify the contribution borne by Gori in proportion to the benefit based on a methodology consistent with the legislation of reference, but did identify an amount of over € 8 million which is the tax on the collection of wastewater borne by all members "without being able to specify the amount owed by Gori" pursuant to art. 13, paragraph 5 of Italian Law 4/2003 of the Campania Region for the years 2008-2016, lacking "any measure whatsoever regarding the direct benefit obtained and the flow of water discharged by Gori". The case was adjourned to a hearing on 11 November 2019 to allow the designated expert to clarify the criteria used in the report submitted, and then further adjourned to a hearing on 18 February 2021 for clarifications.

Gori SpA Update of the 2016-2019 regulatory framework of the Sarnese-Vesuviano District of the Campania Region

The Municipalities in question challenged the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuvianoo Area Authority dated 19/2016 with which the 2016-2019 Regulatory Scheme was prepared and the Resolution of the same Extraordinary Commissioner no. 39/2018 with which the aforementioned Regulatory Scheme was updated. The scheduling of a public hearing to discuss the merits of the case is therefore still pending.

Proceeding AGCM A/513

On 8 January 2019, the Antitrust Authority notified Acea SpA, Acea Energia SpA and areti SpA of the final order for Proceeding A/513.
With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in Free Market conditions.
In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09.
Fully convinced of the illegitimacy of the measure imposed, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. The hearing on the merits of both judgements was held on 2 October 2019, and on 17 October 2019 the appeals were upheld with separate sentences and the fine was therefore annulled.
With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State.
The Group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 26 a on the "Provision for risks and charges").
These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
Non-current assets	**41,881**	**0**	**0**	**41,881**	
Other equity investments	3,100	0	0	3,100	21
Financial assets	38,781	0	0	38,781	23
Current assets	**0**	**2,045**	**1,597,159**	**1,599,204**	
Trade receivables			981,509	981,509	25
Other current assets: fair value evaluation of differential and swap contracts on commodities	0	2,045	0	2,045	25
Current financial assets	0	0	379,859	379,859	25
Other current assets	0	0	235,791	235,791	25
Non-current liabilities	**0**	**181,190**	**3,909,467**	**4,090,657**	
Bonds	0	181,190	3,072,254	3,253,444	29
Payables to banks	0	0	837,212	837,212	29
Current liabilities	**0**	**8,649**	**2,381,021**	**2,389,670**	
Short-term bonds	0	0	16,813	16,813	31
Payables to banks	0	8,649	198,588	207,237	
Other financial payables	0	0	195,773	195,773	31
Other current liabilities: fair value measurement of differential and swap contracts on commodities	0	0	0	0	31
Trade payables	0	0	1,627,119	1,627,119	31
Other liabilities	0	0	342,728	342,728	31

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.
The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk less and the risk less adjusted interest rate curves.
It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.
In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the Financial Statements of its overseas subsidiaries. As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- Price Risk: risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- Volume Risk: the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

The Group is exposed to market risk, represented by the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of market price movements, above all in relation to the risk of movements in the prices of commodities in which the Group trades.
Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Industrial Area and by the Administration, Finance and Control Department in line with the Acea SpA's "Guidelines for the Internal Control and Risk Management

System" and the specific procedures approved in 2019. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners. Specifically:

- **every year**, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- **every day**, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea SpA's Internal Audit Unit.
The risk limits of the Commercial and Trading Area are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Forward contracts (for physical transactions for the purchase and sale of commodities) are stipulated to meet the expected requirements deriving from the contracts in the portfolio or for transactions not involving sales to end customers.

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.
As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.
The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily check on limits applying to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.
The Finance Department reports to the Managers on any discrepancies noted during controls, so that all measures suitable to limiting/eliminating the risk connected with exceeding this limit, can be adopted.
The objectives and policies for market risk, counterparty credit risk and regulatory risk management are detailed in the relevant section of the *Report on Operations*, to which reference is made.

It should be noted that the hedges effected on the purchases and sales portfolio were conducted with leading operators in the electricity market and the financial sector. Below, in accordance with former article 2427-*bis* of the Italian Civil Code, is the information necessary for the description of transactions carried out, aggregated by hedged index, effective as of 1 January 2021.

Instrument	Index	Purposes	Purchases/sales	Fair value in € thousand	Portion recognised to Shareholders' equity	Portion recognised in the Income Statement
Swap, CFD	Energy_IT	Hedging Energy Portfolio	Purchase of electricity	(36.5)	(36.5)	0
Swap, CFD	Gas_IT	Hedging Gas Portfolio	Purchase of natural gas	1,975	1,975	0
Swaption	Energy_IT	Hedging Energy Portfolio	Electricity sales	99.5	99.5	0

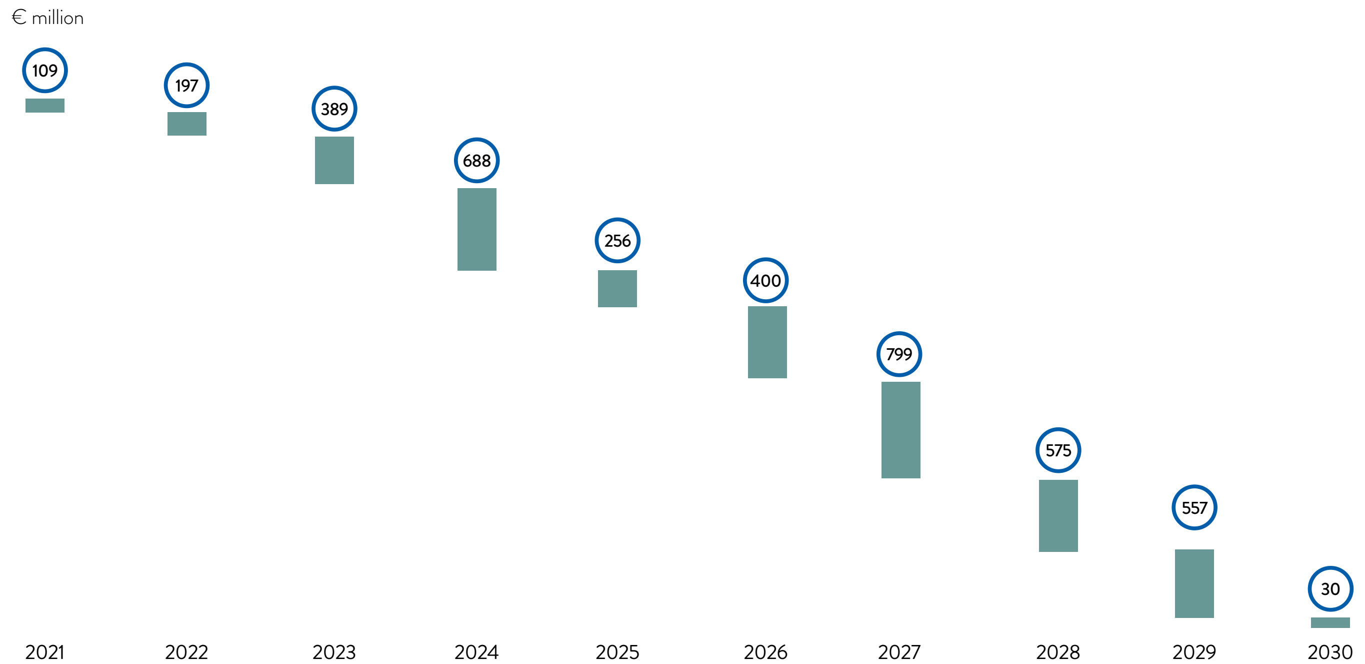
The Group determines the classification of financial instruments at fair value, in accordance with the provisions of IFRS 13. The fair value of the assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, according to the inputs and valuation techniques used to measure fair value:

- level 1: prices listed (not adjusted) on a market for identical assets and liabilities;
- level 2: inputs other than listed prices pursuant to level 1, which can be observed for the asset or liability, both directly and indirectly;
- level 3: inputs not based on observable market data. This note provides some detailed information on the valuation techniques and inputs used to prepare these valuations.

With regards to the type of derivatives for commodities for which fair value is determined, note that this is fair value level 1 as they are listed on active markets;
Finally, it should be noted that, as of 2014, the Group has applied the rules laid down in EC regulations 148 and 149/2013 (jointly and together with Regulation 648/2012, EMIR) and is currently defined as NFC (Non-Financial Counterparty).

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.
At 31 December 2020 the Parent Company has uncommitted credit lines of € 558 million, of which € 140 million utilised. No guarantees were granted in obtaining these lines. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the Parent Company.
Acea also has committed revolving lines for € 500 million, with an average maturity of around 2.5 years. Additionally, on 30 July 2020 Acea signed a new direct unsecured loan contract with the European Investment Bank for a total not to exceed € 250 million, entirely available as of 31 December 2020, with an availability period through 30 July 2023 and final maturity not to exceed 15 years after disbursement. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 225 million.
Please note that the EMTN Programme approved in 2014 for an amount of € 1.5 billion and adjusted during 2018 to a total amount of € 3 billion, was further adjusted during 2019 to a total amount of € 4 billion. Following the bond issue of € 500 million in January 2020, Acea can place additional bond issues up to the total residual amount of € 0.9 billion.
The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.



Regarding the trade payables (€ 1,535.1 million) it should be noted that the portion which is due to expire in the next twelve months amounted to € 1,354.0 million. The amount already expired of € 181.1 million will be paid by the first quarter of 2021.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.
The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.
In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.
Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments. As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the Income Statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.
An analysis of the medium/long-term consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (81%) as at 31 December 2020, and to a lesser extent to the risk of fluctuations in future cash flows.
Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates;
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business;
- to manage derivatives transactions solely for hedging purposes,

should Acea decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the Income Statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

The Group currently uses interest rate risk hedging derivatives for Acea, which swapped at a fixed rate the loan signed on 27 December 2007 for € 100 million. The plain vanilla IRS, was entered into on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021 and completed a cross currency swap plain vanilla transaction to transform the Private Placement (Yen) currency and the Yen rate applied in a fixed rate in Euros.

All the derivative instruments taken out by Acea and listed above are non-speculative and the fair values, calculated according to the bilateral method, of the same are respectively:

- negative for € 0.3 million (negative for € 1.0 million at 31 December 2019);
- negative for € 22 million (negative for € 19.9 million at 31 December 2019).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Financing € thousand	Amortised cost (A)	RISK LESS FV (B)	Delta (A)-(B)	RISK ADJUSTED FV (C)	Delta (A)-(C)
Bonds	3,270,257	3,637,566	(367,309)	3,550,897	(280,640)
fixed rate	315,246	364,763	(49,517)	360,748	(45,502)
floating rate	442,866	454,758	(11,892)	445,733	(2,867)
floating rate cash flow hedge	195,447	225,567	(30,120)	220,174	(24,728)
Total	**4,223,815**	**4,682,653**	**(458,838)**	**4,577,552**	**(353,737)**

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in EUR, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.

A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve. This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between - 1.5% and + 1.5%.

Constant spread applied	Changes in present value (€ million)
(1,5)%	(418.7)
(1,0)%	(286.6)
(0,5)%	(159.3)
(0,3)%	(97.4)
n.s.	0.0
0.25%	23.1
0.50%	81.7
1.00%	195.9
1.50%	305.9

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS 13.

Credit risks

In 2019 Acea issued the new guidelines of the credit policy to make it consistent with the ongoing organisational changes and the Credit Risk Profiling project, with which different credit management strategies have been identified. The "Scoring and customer credit limit" procedure for non-regulated markets was also issued.

The Credit Check system, which has been operating in unregulated markets for several years and with which all new mass market and small business customers are checked through customised scorecards, was integrated with the CRM in 2018.

Project work on Credit Risk Profiling (three-year period 2019-2021), the operational scope of which was recently redefined and broadened, has been fully launched and has the macro objectives of optimisation of the acquisition process, models and tools for managing large business customers, the activation of information platforms to support sales and the development of an advanced monitoring dashboard, which was released into production in June 2020.

The assessment of large business customers continues to be managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply.

The dynamic management of recovery strategies is carried out in

the billing system for active customers and through a dedicated management system for those discontinued. There has also been a full review of the credit management process both in terms of the application map and the standardisation of activities for all Group companies, with the definition of a new Collection Strategy, fully integrated into the systems. This guides dunning activities both in terms of customer type (public and private) and behaviour of individual customers (score).
The structures of each company responsible for managing credit report functionally to the Acea Corporate Credit Unit that guarantees end-to-end supervision of the entire process.
The mass management of active and inactive receivables of a limited amount was carried out by the operating companies, leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of inactive customers with significant amounts due.
As a result of these interventions, in recent years the Group significantly improved its collections capacity both in terms of electricity sales and the water supply business, significantly reducing the respective unpaid amounts compared to current turnover.
Following the global health emergency that arose in March 2020, the provisions dictated by the government and the competent Authorities were applied, both in terms of occupational safety and business management.
This context determined a slight decrease in income in the first part of the year, largely recovered at the end of 2020, also through the option for customers in difficulty to pay in instalments, in order to allow the gradual correction of the relative positions.
As in previous years, this year the Group has set up non-recourse, revolving and spot transactions, of receivables from private customers and public administrations. This strategy exposes the Group to the risks involved in closing or failing to close these operations, and on the other hand allows the full derecognition of the corresponding assets subject to disposal from the Financial Statements since all the risks and benefits associated with them have been transferred.
Based on the above guidelines, the companies are responsible for the operational management of active and discontinued loans of the entire receivable portfolio, with the exception of customers managed by Credito Corporate and for positions taken by tax injunction or law firms directly by the Legal and Corporate Affairs Department.
The Corporate Credit Unit monitors the performance of receivables on an ongoing basis and provides periodic management reports (monthly) by segment and by company.

The following table shows the credit risk management of the main business areas of the Group by number of customers/turnover.
Relative to the ***areti***, the credit component managed by the Company that indicates a possible risk factor is that invoiced to operators for sales activities relative to transportation of energy on the distribution network, for performances carried out for end customers and general system charges (these latter in turn paid to CSEA or the GSE). This risk was mitigated by regulatory changes implemented by ARERA, which introduced mechanisms for recognising amounts not collected
Relative to the **companies in the Commercial and Trading Segment**, for supplies of electricity and gas on the Free Market, preventive credit risk identification is done through a credit scoring system, integrated into the user management system, allowing for real time assessment of the creditworthiness of potential clients when they are acquired:

- with regard to mass market and small business customers, the Credit Check system integrated in the CRM is directly usable by Acea Energia and the commercial agencies appointed thereby. Specific scorecards have been defined to statistically identify customers that are potentially unsuitable for the supply of electricity or gas, as they have a risk profile that is not in line with company standards;
- with reference to Large and Top customers, the investigation is performed in Acea SpA using a dedicated platform with specific workflows that support the timely analysis of prospective customers, thanks also to the availability of updated accounting and commercial information.

Also note that Acea Energia uses the invoicing system both to manage credit relative to active users on the protected market and to manage credit for customers active on the Free Market, while receivables due from ceased customers are managed with dedicated software.
In the last two years, in-court and out-of-court recovery was strengthened, with specific reference to Legal Dispute activities, for receivables under the threshold for action through legal studies managed by the Acea Corporate Credit Unit, with a return to using services offered by market operators for the bulk recovery of receivables.
On the management side, activities successfully continued for the collection matching process, acting both on the collection channels and the application systems, and with regard to the number of dedicated employees.
The “large-ticket” customers that have ceased to be “large-ticket” customers following an internal collection process set up by Acea Energia are transferred to the Acea Corporate Credit Unit in the event of an unsuccessful outcome of the recovery, which then entrusts them in packages with uniform characteristics to law firms contracted by the Legal and Corporate Affairs Department.
Law firms are assessed on the basis of their recovery performance and are engaged in proportion to the results achieved.

With regards to **companies in the Water Segment**, it should be remembered that the Galli Law, which grants a single operator a thirty-year concession for the Integrated Water Service in the Optimal Territorial Area, created a local monopoly in the management of this service.
These features of the water market are reflected when measuring credit risk which mainly applies to certain types of insolvency, in particular:

- receivables subject to tender procedures;
- receivables linked to termination of accounts without the creation of a new contractual relationship;
- receivables linked to special social situation, in which the operator due to reasons of public order and/or regional issues is not able to apply the typical risk protection instruments.

Essentially, users, also in typical cases when liquidity is lacking, tend to comply with their commitments relative to a primary service such as water, meaning the operator has risk of a mainly “financial” nature, that is associated with payment trends that tend to be slower on average with respect to trade receivables.
Legislators have taken action multiple time to adopt measures intended to limit late payments, in particular the recent Resolution ARERA 311/2019/R/idr which published the REMSI provision, which contains the provisions for regulating late payments for the Integrated Water Services (REMSI), as of 1 January 2020. This provision was subsequently amended with the Resolution of 17 December 2019, 547/2019/R/idr, with Resolution 26 May 2020, 186/2020/R/idr and Resolution 16 June 2020, 221/2020/R/idr.
In this context, the Companies, consistent with the guidelines of the Acea Group’s credit policy, have identified different strategies that follow the Customer Care philosophy, based on the fundamental presupposition of a direct relationship with users, as a distinctive element in creating an efficient process to constantly improve the net financial position.
Implementation of credit risk management strategies starts with a

macro-distinction between public sector end users (Municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users;
- variable risk of insolvency and late payment risk for private sector end users.

As regards credits due from public sector end users, these are mainly converted to cash through without-recourse factoring to financial partners, while a residual portion is managed directly through the offsetting of receivables/payables or by means of settlement agreements.

Management of credit relative to "private" users involves a series of targeted action which range from amicable payment reminders, specific notices for condominium customers, formal notice of arrears, assignment to specialised or internal collection services via telephone, through to disconnection of defaulting end users, factoring and assignment to legal studies for collection of credit via the courts. These actions are carried out with methods and schedules governed by the REMSI provision.

Note that Ministry of Economy and Finance Decrees authorise Acea Ato 2, Acea Ato 5 and Gori are authorised to make use of forced collection and hence can directly issue tax injunctions and, in the case of persistent default, can register the receivables with injunctions.

For the above companies, tax injunctions represent the main judicial collection tool relative to ceased receivables.

Relative to **other Group Segments**, (Environment Segment, Engineering and Services Segment, Business Development Strategies, Production and Overseas), credit exposure is generally limited and concentrated with a few debtors, carefully managed by the operating companies with support, if necessary, from the Corporate Credit Unit.

The ageing of the Trade Receivables is as follows, gross of the allowance for doubtful accounts, detailed in note 25:

- total trade receivables, gross of provision for impairment of receivables: € 1,577 million;
- trade receivables due to expire: € 398 million;
- past due trade receivables: € 1,179 million.

ANNEXES

A. LIST OF CONSOLIDATED COMPANIES

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATEDO

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

A. LIST OF CONSOLIDATED COMPANIES

Company name	Location	Share capital (in €)	Shareholding	Group consolidation quota	Method of consolidation
Environment Segment					
Acea Ambiente S.r.l.	Via G. Bruno, 7 – Terni	2,224,992	100.00%	100.00%	100%
Aquaser S.r.l.	P.le Ostiense, 2 – Roma	3,900,000	97.90%	100.00%	100%
Bioecologia S.r.l.	Via Simone Martini, 57 – 53100 Siena	2,382,428	100.00%	100.00%	100%
Iseco SpA	Loc. Surpian n. 10 – 11020 Saint-Marcel (AO)	110,000	80.00%	100.00%	100%
Berg	Via delle Industrie, 38 – Frosinone (FR)	844,000	60.00%	100.00%	100%
Demap S.r.l.	Via Giotto, 13 – Beinasco (TO)	119,015	90.00%	100.00%	100%
Ferrocart S.r.l.	Via Vanzetti, 34 – Terni	80,000	60.00%	100.00%	100%
Cavallari S.r.l.	Via dell'Industria, 6 – Ostra (AN)	100,000	60.00%	100.00%	100%
Acque Industriali S.r.l.	Via Bellatalla,1 – Ospedaletto (Pisa)	100,000	73.05%	100.00%	100%
Commercial and Trading Segment					
Acea Energia SpA	P.le Ostiense, 2 – Roma	10,000,000	100.00%	100.00%	100%
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 – Bastia Umbra (PG)	10,000	100.00%	100.00%	100%
Umbria Energy SpA	Via B. Capponi, 100 – Terni	1,000,000	50.00%	100.00%	100%
Acea Energy Management S.r.l.	P.le Ostiense, 2 – Roma	50,000	100.00%	100.00%	100%
Electric Drive Italia S.r.l.	Via Mario Bianchini, 51 – 00142 Roma	10,000	100.00%	100.00%	100%
Acea Innovation S.r.l.	P.le Ostiense, 2 – Roma	10,000	100.00%	100.00%	100%
Parco della Mistica S.r.l.	P.le Ostiense, 2 – Roma	10,000	100.00%	100.00%	100%
Overseas Segment					
Acea Dominicana S.A.	Avenida Las Americas – Esquina Mazoneria, Ensanche Ozama – Santo Domingo	644,937	100.00%	100.00%	100%
Aguas de San Pedro S.A.	Las Palmas, 3 Avenida, 20y 27 calle – 21104 San Pedro, Honduras	6,457,345	60.65%	100.00%	100%
Acea International S.A.	Avenida Las Americas – Esquina Mazoneria, Ensanche Ozama – 11501 Santo Domingo	9,089,661	99.99%	100.00%	100%
Acea Perù S.A.C.	Cal. Amador Merino Reyna , 307 MIRAFLORES – LIMA	177,582	100.00%	100.00%	100%
Consorcio Acea – Acea Dominicana	Av. Las Americas – Esq. Masoneria – Ens. Ozama	67,253	100.00%	100.00%	100%
Consorcio Servicios Sur	Calle Amador Merino Reyna, 307 – San Isidro	233,566	51.00%	100.00%	100%
Consorcio Agua Azul S.A.	Calle Amador Merino Reina, 307 – Lima – Perù	16,000,912	44.00%	100.00%	100%
Consorcio Acea	Calle Amador Merino Reina, 307 – Lima – Perù	225,093	100.00%	100.00%	100%
Water Segment					
Acea Ato 2 SpA	P.le Ostiense, 2 – Roma	362,834,320	96.46%	100.00%	100%
Acea Ato 5 SpA	Viale Roma snc – Frosinone	10,330,000	98.45%	100.00%	100%
Acque Blu Arno Basso SpA	P.le Ostiense, 2 – Roma	8,000,000	76.67%	100.00%	100%
Acque Blu Fiorentine SpA	P.le Ostiense, 2 – Roma	15,153,400	75.01%	100.00%	100%
Acea Molise S.r.l.	P.le Ostiense, 2 – Roma	100,000	100.00%	100.00%	100%
Crea SpA (*in liquidation*)	P.le Ostiense, 2 – Roma	2,678,958	100.00%	100.00%	100%
Acquedotto del Fiora SpA	Via Mameli, 10 – Grosseto	1,730,520	40.00%	100.00%	100%
Gesesa SpA	Corso Garibaldi, 8 – Benevento	534,991	57.93%	100.00%	100%
Gori SpA	Via Trentola, 211 – Ercolano (NA)	44,999,971	37.05%	100.00%	100%
Ombrone SpA	P.le Ostiense, 2 – Roma	6,500,000	99.51%	100.00%	100%
Pescara Distribuzione Gas S.r.l.	Via G. Carducci, 83 – Pescara	120,000	51.00%	100.00%	100%
Sarnese-Vesuvianoo S.r.l.	P.le Ostiense, 2 – Roma	100,000	99.16%	100.00%	100%
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 – Terni	100,000	99.20%	100.00%	100%

(follows)

Company name	Location	Share capital (in €)	Shareholding	Group consolidation quota	Method of consolidation
Alto Sangro Distribuzione Gas S.r.l.	Via L. Galvani, 17/A – 47122 Forlì	463,644	51.00%	100.00%	100%
Servizi Idrici Integrati ScPA	Via I maggio, 65 – Terni	19,536,000	40.00%	100.00%	100%
Notaresco Gas S.r.l.	Via Padre Frasca, s.n., frazione Chieti Scalo Centro Dama	100,000	28.05%	100.00%	100%
Energy Infrastructure Segment					
Areti SpA	P.le Ostiense, 2 – Roma	345,000,000	100.00%	100.00%	100%
Acea Produzione SpA	P.le Ostiense, 2 – Roma	5,000,000	100.00%	100.00%	100%
Acea Liquidation and Litigation S.r.l.	P.le Ostiense, 2 – Roma	10,000	100.00%	100.00%	100%
Ecogena S.r.l.	P.le Ostiense, 2 – Roma	1,669,457	100.00%	100.00%	100%
KT 4 S.r.l.	Viale SS Pietro e Paolo, 50 – Roma	110,000	100.00%	100.00%	100%
Solaria Real Estate S.r.l.	Via Paolo da Cannobio, 33 – Milano	176,085	65.00%	100.00%	100%
Acea Solar S.r.l.	P.le Ostiense, 2 – Roma	10,000	100.00%	100.00%	100%
Acea Sun Capital S.r.l.	P.le Ostiense, 2 – Roma	10,000	100.00%	100.00%	100%
Trinovolt S.r.l.	Viale Tommaso Columbo, 31/D – Bari (BA)	10,000	100.00%	100.00%	100%
Marche Solar S.r.l.	Via Achille Grandi 39 – Concordia sulla Secchia (MO)	10,000	100.00%	100.00%	100%
Fergas Solar S.r.l.	Via Pietro Piffetti, 19 – 10143 Torino	10,000	100.00%	100.00%	100%
Euroline 3 S.r.l.	Piazzale Ostiense, 2 – 00154 Roma	10,000	100.00%	100.00%	100%
IFV Energy S.r.l.	Piazzale Ostiense, 2 – 00154 Roma	10,000	100.00%	100.00%	100%
PF Power of Future S.r.l.	Piazzale Ostiense, 2 – 00154 Roma	10,000	100.00%	100.00%	100%
Engineering and Services Segment					
Acea Elabori SpA	Via Vitorchiano – Roma	2,444,000	100.00%	100.00%	100%
SIMAM SpA	Via Cimabue, 11/2 – 60019 Senigallia (AN)	600,000	70.00%	100.00%	100%
Technologies For Water Services SpA	Via Ticino, 9 – 25015 Desenzano Del Garda (BS)	11,164,000	100.00%	100.00%	100%

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD AS FROM 1 JANUARY 2014 IN ACCORDANCE WITH IFRS 11

Company name	Location	Share capital (in €)	Shareholding	Group consolidation quota	Method of consolidation	Values at 31/12/2020
Environment Segment						
Ecomed S.r.l.	P.le Ostiense, 2 – Roma	10.000	50,00%	50,00%	Shareholders' equity	0
Water Segment						
Acque SpA	Via Garigliano, 1 – Empoli	9.953.116	45,00%	45,00%	Shareholders' equity	90,544,726
Acque Servizi S.r.l.	Via Bellatalla, 1 – Ospedaletto (Pisa)	400.000	100,00%	45,00%	Shareholders' equity	5,109,903
Geal SpA	Viale Luporini, 1348 – Lucca	1.450.000	48,00%	48,00%	Shareholders' equity	7,811,646
Intesa Aretina S.c.a.r.l.	Via B. Crespi, 57 – Milano	18.112.000	35,00%	35,00%	Shareholders' equity	0
Nuove Acque SpA	Patrignone Loc. Cuculo – Arezzo	34.450.389	46,16%	16,16%	Shareholders' equity	12,858,325
Publiacqua SpA	Via Villamagna – Firenze	150.280.057	40,00%	40,00%	Shareholders' equity	111,370,848
Umbra Acque SpA	Via G. Benucci, 162 – Ponte San Giovanni (PG)	15.549.889	40,00%	40,00%	Shareholders' equity	19,334,338
Engineering and Services Segment						
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis, 49 – Firenze	100.000	98,90%	44,10%	Shareholders' equity	13,356,833
Visano S.c.a.r.l.	Via Lamarmora, 230 – 25124 Brescia	25.000	40,00%	40,00%	Shareholders' equity	10,329
Energy Infrastructure Segment						
Belaria S.r.l.	Via Luciano Manara, 15 – Milano	10.000	49,00%	49,00%	Shareholders' equity	0
Mithra 1 S.r.l.	Via Pontaccio, 10 – Milano	60.000	100,00%	49,00%	Shareholders' equity	0
Energia S.p.A	Via Barberini, 28 – 00187 Roma	239.520	49,90%	49,90%	Shareholders' equity	13,045,964

The following companies are also consolidated using the equity method:

Company name	Location	Share capital (in €)	Shareholding	Group consolidation quota	Method of consolidation	Values at 31/12/2020
Environment Segment						
Amea SpA	Via San Francesco d'Assisi, 15C – Paliano (FR)	1,689,000	33.00%	33.00%	Shareholders' equity	0
Coema	P.le Ostiense, 2 – Roma	10,000	67.00%	33.50%	Shareholders' equity	0
Overseas Segment						
Agua Azul Bogotà S.A.	Calle 82 n. 19 – 34 – Bogotà – Colombia	951,851	51.00%	50.99%	Shareholders' equity	1,514,263
Water Segment						
Le Soluzioni S.c.a.r.l.	Via Garigliano, 1 – Empoli	250,678	80.84%	51.63%	Shareholders' equity	502,365
Sogea SpA	Via Mercatanti, 8 – Rieti	260,000	49.00%	49.00%	Shareholders' equity	587,836
Umbria Distribuzione Gas SpA	Via Bruno Capponi, 100 – Terni	2,120,000	15.00%	15.00%	Shareholders' equity	511,367
Energy Infrastructure Segment						
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 – Milano	90,000	32.18%	32.18%	Shareholders' equity	0
Sienergia SpA (*in liquidation*)	Via Fratelli Cairoli, 24 – Perugia	132,000	42.08%	42.08%	Shareholders' equity	0
Other						
Marco Polo S.r.l. (*in liquidation*)	Via delle Cave Ardeatine, 40 – Roma	10,000	33.00%	33.00%	Shareholders' equity	0

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

€ thousand	Profit for the year 2020	Profit for the year 2019	Shareholders' equity 31/12/2020	Shareholders' equity 31/12/2019
Balances in statutory Financial Statements (Acea)	**174,832**	**208,488**	**1,640,678**	**1,628,812**
Surplus of Shareholders' equity in Financial Statements, including the related results compared to carrying values in consolidated companies	107,639	57,460	(97,969)	(98,846)
Consolidation goodwill	(12,187)	(4,726)	308,250	203,348
Accounted for using the equity method	24,550	36,227	147,817	145,519
Other changes	(9,886)	(13,764)	(33,947)	(24,061)
Balances in consolidated Financial Statements	**284,948**	**283,686**	**1,964,829**	**1,854,772**

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due Remuneration for the office	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
Board of Directors until 29/05/2020	96	76	996	300	**1,468**
Board of Directors meeting of 30/05/2020	137	27	539	730	**1,433**
Board of Statutory Auditors	370	0	0	0	**370**

Key Managers

Fees due to executives with strategic responsibilities for 2020 amounted to:

- salaries and bonuses € 3,017 thousand;
- non-monetary benefits € 217 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

Auditing Firm

In accordance with article 149-*duodecies* of CONSOB Issuers' Regulations, the fees accrued by the independent auditors PWC in 2020 are provided in the table below.

€ thousand	Audit Related Service	Audit Services	Non Audit Services	Total
Acea SpA	185	251	131	**567**
Acea Group	152	1,000	0	**1,152**
Total Acea SpA e Gruppo	**337**	**1,251**	**131**	**1,719**

The services other than auditing provided to the Parent Company or its subsidiaries during 2020 are highlighted, mainly concerning assistance in carrying out the 262/05 tests identified by the Acea Group.

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

Based on recent developments regarding transparency in the public payment system pursuant to art. 1, paragraph 125 of Italian Law 124/2017, we declare that during 2020 no contributions have been received that fall within the legislation of reference.
In particular, it is specified that the 2020 collections deriving from green certificates, white certificates and energy accounts are not specified since they constitute a payment for supplies and services rendered.
It should be noted that the company areti has two loans granted by Cassa Depositi e Prestiti SpA and UBI Banca SpA pursuant to Italian Law no. 311, art. 1, paragraphs 354 to 361 of 30 December 2004 and subsequent amendments and additions and of Italian Law no. 46 of 17 February 1982, granted for the implementation of an investment programme permitted by the Ministry of Economic Development for the allowances envisaged by the aforementioned laws (Smart Network Management System Project). The loan is made up of a subsidised amount paid by Cassa Deposito e Prestiti and UBI Banca at a fixed rate of 0.5% and a non-subsidised bank loan provided by UBI Banca at a variable rate equal to the Euribor six-month rate plus a spread of 4%, both to be repaid according to an amortisation plan that will end in 2022. The debt relating to the subsidised loan as at 31 December 2020 is equal to € 3,409 thousand (€ 5,101 thousand at 31 December 2019) while the non-subsidised bank loan at 31 December 2020 is equal to € 758 thousand (€ 940 thousand also at 31 December 2019).
It should be noted that Electric Drive Italia has two subsidised loans at zero interest rates. The first is still in place with Invitalia – Smart & Start Italy programme of 2015 – currently disbursed for € 179 thousand with maturity on 31 May 2027, while the second for € 50 thousand was disbursed by Artigiancassa SpA under the Revolving Fund for Small Credit and will mature on 15 April 2025.
Finally, it is useful to recall that the rules contained in article 1, paragraphs 125-129 of Italian Law no. 124/2017 still present many critical issues that lead to believe that further regulatory action is desirable. Therefore the above represents the best interpretation of the law.

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a better understanding of the breakdown provided in this section:

- sales refer to the Commercial and Trading Segment which, from an organisational standpoint, is responsible for Acea Energia, Acea8cento, Aema, Umbria Energy, Parco della Mistica and Cesap Vendita Gas;
- distribution and Public Lighting refer to the Networks Segment which, from an organisational standpoint, is responsible for Acea Produzione, Ecogena, Acea Acea Liquidation e Litigation, areti, Acea Sun Capital, Acea Solar and the new photovoltaic companies;
- analysis and research services refer to the Engineering and Services Segment, which, from an organisational standpoint, is responsible for Acea Elabori, TWS and SIMAM;
- overseas refers to the Industrial Segment of the same name which, from an organisational standpoint, is responsible for operations overseas;
- water refers to the Industrial Segment of the same name, which, from an organisational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria and the gas distribution companies operating in Abruzzo;
- environment refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Bioecologia, Demap, Berg, Ferrocart, Cavallari and Multigreen.

BALANCE SHEET ASSETS 2019

€ thousand	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Distribution
Capex	**51,893**	**42,529**	**7,020**	**401,292**	**18,832**	**265,662**
Tangible fixed assets	252,451	(3,440)	36,989	96,814	261,420	1,859,850
Intangible fixed assets	**41,725**	**174,120**	**11,138**	**2,982,550**	**28,607**	**104,093**
Non-current financial assets measured at equity	0	0	0	0	0	0
Financial assets	0	0	0	0	0	0
Other non-current trade assets	0	0	0	0	0	0
Other non-current financial assets	0	0	0	0	0	0
Inventories	5,935	300	1,336	16,615	423	29,271
Trade receivables from third parties	**97,133**	**214,014**	**6,263**	**531,447**	**27,455**	**175,529**
Trade receivables from Parent Company	158	13,682	0	76,339	3,045	4,285
Receivables from subsidiaries and associates	**4**	**1,371**	**27**	**7,199**	**4**	**0**
Other current trade assets	0	0	0	0	0	0
Other current financial assets	0	0	0	0	0	0
Cash and cash equivalents	0	0	0	0	0	0
Non-current assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**
Total Assets						

BALANCE SHEET LIABILITIES 2019

€ thousand	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Distribution
Segment liabilities						
Trade payables to third parties	72,062	387,473	3,901	709,858	16,508	319,482
Trade payables to Parent Company	2,059	21,887	775	162,657	2,487	26,298
Trade payables to subsidiaries and associates	13	2,330	257	5,202	0	0
Other current trade liabilities	0	0	0	0	0	0
Other current financial liabilities	0	0	0	0	0	0
Employee severance indemnity and other defined benefit plans	7,955	4,886	317	31,285	2,008	32,015
Other provisions	21,220	16,287	5	50,336	20,427	22,975
Provision for deferred taxes	0	0	0	0	0	0
Other non-current trade liabilities	0	0	0	0	0	0
Other non-current financial liabilities	0	0	0	0	0	0
Liabilities directly associated with assets held for sale	0	0	0	0	0	0
Shareholders' equity						
Total liabilities and Shareholders' equity						

€ thousand	Public Lighting	Engineering and Services	Corporate	Group total	Total consolidation adjustments	Consolidated total
Capex	**3,274**	**1,787**	**21,699**	**813,989**	**(21,212)**	**792,776**
Tangible fixed assets	6,999	3,856	97,436	2,612,376	(461)	**2,611,915**
Intangible fixed assets	**(767)**	**1,257**	**40,675**	**3,383,397**	**(430,256)**	**2,953,141**
Non-current financial assets measured at equity	0	0	0	0		**268,039**
Financial assets	**0**	**0**	**0**	**0**		**2,772**
Other non-current trade assets	0	0	0	0		**618,359**
Other non-current financial assets	**0**	**0**	**0**	**0**		**47,202**
Inventories	0	3,454	(0)	57,335	0	**57,335**
Trade receivables from third parties	**1,122**	**42,435**	**582**	**1,095,980**	**(160,899)**	**935,082**
Trade receivables from Parent Company	(0)	40	0	97,549	(10,805)	**86,745**
Receivables from subsidiaries and associates	**111**	**7,219**	**97,246**	**113,181**	**(99,545)**	**13,636**
Other current trade assets	0	0	0	0		**225,285**
Other current financial assets	0	0	0	0		**299,212**
Cash and cash equivalents	0	0	0	0		**835,693**
Non-current assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**
Total Assets						**8,954,416**

€ thousand	Public Lighting	Engineering and Services	Corporate	Group total	Total consolidation adjustments	Consolidated Total
Segment liabilities						
Trade payables to third parties	9,160	10,145	107,702	1,636,291	(163,489)	**1,472,802**
Trade payables to Parent Company	424	1,070	28	217,686	(96,025)	**121,661**
Trade payables to subsidiaries and associates	6,459	128	3,134	17,524	(11,724)	**5,800**
Other current trade liabilities	0	0	0	0		**374,058**
Other current financial liabilities	0	0	0	0		**674,364**
Employee severance indemnity and other defined benefit plans	0	2,824	23,323	104,613	0	**104,613**
Other provisions	0	2,506	(6,094)	127,662	23,757	**151,418**
Provision for deferred taxes	0	0	0	0	0	**0**
Other non-current trade liabilities	0	0	0	0	0	**391,100**
Other non-current financial liabilities	0	0	0	0	0	**3,551,889**
Liabilities directly associated with assets held for sale	0	0	0	0	0	**0**
Shareholders' equity						**2,106,710**
Total liabilities and Shareholders' equity						**8,954,416**

INCOME STATEMENT 2019

€ thousand	Environment Business	Energy Business	Overseas Business	Water Business	Generation	Distribution
Revenues	182,875	1,616,530	47,328	1,012,013	79,634	559,132
Personnel costs	21,810	25,178	9,796	98,489	4,683	25,703
Purchase of electricity	5,146	1,426,543	-	53,748	10,702	115,256
Sundry costs of materials and overheads	103,965	95,779	21,737	392,023	19,682	72,731
Costs	130,922	1,547,501	31,533	544,260	35,068	213,690
Net income/(costs) from commodity risk management	-	(99)	-	-	-	-
Valuation of companies using the equity method	(2)	-	1,130	37,206	-	-
EBITDA	**51,951**	**69,128**	**16,924**	**504,959**	**44,566**	**345,442**
Depreciation/amortisation	30,878	50,812	9,219	254,974	21,686	130,303
Operating profit/loss	**21,072**	**18,316**	**7,705**	**249,985**	**22,880**	**215,138**
Financial (costs)/income						
(Costs)/income from equity investments	-	-	-	(0)	-	-
Profit/(loss) before tax						
Taxes						
Net profit/(loss)						

€ thousand	Public Lighting	Adjustments	Total Energy Infrastructure	Engineering Business	Corporate Business	Consolidation adjustments	Consolidated total
Revenues	44,559	(821)	682,504	75,918	142,555	(573,587)	**3,186,136**
Personnel costs	2,320	(21)	32,686	17,720	60,296	(16,700)	**249,275**
Purchase of electricity	4,262	-	130,220	89	1,005	(246,654)	**1,370,098**
Sundry costs of materials and overheads	36,034	(800)	127,647	26,979	86,822	(289,044)	**565,932**
Costs	42,616	(821)	290,553	44,787	148,123	(552,374)	**2,185,306**
Net income/(costs) from commodity risk management	-	-	-	-	-	-	**(99)**
Valuation of companies using the equity method	-	-	-	3,033	-	-	**41,367**
EBITDA	**1,943**	**-**	**391,951**	**34,164**	**(5,568)**	**(21,212)**	**1,042,297**
Depreciation/amortisation	2,241	-	154,231	2,443	18,725	(2,209)	**519,073**
Operating profit/loss	**(298)**	**-**	**237,720**	**31,721**	**(29,410)**	**(19,003)**	**523,224**
Financial (costs)/income							**(95,419)**
(Costs)/income from equity investments	-	-	-	-	1,104	1,481	**2,585**
Profit/(loss) before tax							**430,390**
Taxes							**123,213**
Net profit/(loss)							**307,177**

BALANCE SHEET ASSETS 2020

€ thousand	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Areti
Capex	23,566	44,111	3,097	475,951	38,978	282,560
Sector assets						
Total tangible fixed assets	257,074	(2,965)	31,820	110,728	274,006	1,997,325
Total intangible fixed assets	36,064	189,916	37,521	3,330,393	56,341	103,491
Subsidiaries						
Financial assets in shares						
Total non-financial assets						
Total financial assets						
Inventories	6,851	402	1,524	19,642	385	54,401
Receivables from customers	87,500	221,456	7,818	525,745	32,264	162,732
Receivables from Parent Company	361	16,323	-	28,100	5,191	4,843
Receivables from associates	25	1,385	3	31	-	-
Other receivables and current assets						
Total financial assets						
Total cash and cash equivalents						
Non-current assets held for sale						
Total assets						

BALANCE SHEET LIABILITIES 2020

€ thousand	Environment	Commercial a nd Trading	Overseas	Water	Electricity generation	Areti
Segment liabilities						
Trade payables to third parties	64,623	432,792	3,087	708,365	30,464	322,098
Trade payables to Parent Company	4,050	24,987	67	146,035	2,769	38,597
Trade payables to subsidiaries and associates	17	3,546	148	6,251	-	-
Other current trade liabilities						
Other current financial liabilities						
Employee severance indemnity and other defined benefit plans	10,700	4,920	319	36,211	2,538	40,663
Other provisions	22,267	16,257	263	52,792	22,274	23,884
Provision for deferred taxes						
Other non-current trade liabilities						
Other non-current financial liabilities						
Liabilities directly associated with assets held for sale						
Shareholders' equity						
Total liabilities and Shareholders' equity						

€ thousand	Public Lighting	Engineering	Corporate	Consolidation adjustments	Consolidated total
Capex	3,603	6,629	28,474		906,970
Sector assets					
Total tangible fixed assets	8,731	14,356	98,870	(461)	2,789,018
Total intangible fixed assets	-	20,885	57,986	(386,227)	3,446,371
Subsidiaries					276,362
Financial assets in shares					3,100
Total non-financial assets					757,372
Total financial assets					38,781
Inventories	-	8,768	-	-	91,973
Receivables from customers	8,784	52,254	797	(164,729)	934,174
Receivables from Parent Company	57	109	(35)	(16,231)	38,718
Receivables from associates	111	6,449	135,657	(135,044)	8,617
Other receivables and current assets					267,061
Total financial assets					379,859
Total cash and cash equivalents					642,209
Non-current assets held for sale					-
Total assets					**9,673,613,917**

€ thousand	Public Lighting	Engineering	Corporate	Consolidation adjustments	Consolidated total
Segment liabilities					
Trade payables to third parties	5,793	16,895	118,327	(166,929)	1,535,067
Trade payables to Parent Company	30	2,148	182	(131,232)	87,634
Trade payables to subsidiaries and associates	9,257	33	3,134	(17,969)	4,417
Other current trade liabilities					464,367
Other current financial liabilities					419,822
Employee severance indemnity and other defined benefit plans	-	5,196	21,500	-	122,047
Other provisions	-	2,246	(5,944)	22,914	156,951
Provision for deferred taxes					-
Other non-current trade liabilities					405,799
Other non-current financial liabilities					4,154,251
Liabilities directly associated with assets held for sale					-
Shareholders' equity					2,323,258
Total liabilities and Shareholders' equity					**9,673,614**

INCOME STATEMENT 2020

€ thousand	Environment Business	Energy Business	Overseas Business	Water Business	Generation	Areti
Revenues	200,016	1,593,512	62,351	1,181,279	78,749	577,304
Personnel costs	27,307	23,849	12,688	106,585	4,622	26,128
Purchase of electricity	4,872	1,400,338	-	62,829	8,708	111,327
Sundry costs of materials and overheads	117,495	96,302	24,384	425,091	20,339	70,236
Costs	149,674	1,520,489	37,073	594,504	33,668	207,692
Net income/(costs) from commodity risk management	-	(330)	-	-	-	-
Valuation of companies using the equity method	(7)	-	-	29,529	308	-
EBITDA	50,335	73,352	25,278	616,304	45,389	369,612
Depreciation/amortisation	30,929	60,609	13,168	304,482	27,251	156,492
Operating profit/loss	19,406	12,743	12,110	311,822	18,137	213,120
Financial (costs)/income	(10,179)	1,852				
(Costs)/income from equity investments	-	-	-	10,786	3,227	-
Profit/(loss) before tax						
Taxes						
Net profit/(loss)						

€ thousand	Public Lighting	Adjustments	Total Energy Infrastructure	Engineering Business	Corporate Business	Consolidation adjustments	Consolidated total
Revenues	41,386	(1,040)	696,398	86,455	131,128	(571,748)	3,379,392
Personnel costs	5,887	(28)	36,609	37,078	61,557	(38,022)	267,651
Purchase of electricity	4,460	(230)	124,265	78	884	(242,631)	1,350,634
Sundry costs of materials and overheads	33,099	(781)	122,892	37,042	103,243	(290,181)	636,292
Costs	43,446	(1,040)	283,766	74,197	165,684	(570,810)	2,254,577
Net income/(costs) from commodity risk management	-	-	-	-	-	-	(330)
Valuation of companies using the equity method	-	-	308	2,438	-	(1,948)	30,319
EBITDA	(2,060)	-	412,940	14,696	(34,556)	(2,886)	1,155,463
Depreciation/amortisation	1,971	-	185,715	4,440	21,141	-	620,483
Operating profit/loss	(4,032)	-	227,225	10,256	(55,697)	(2,886)	534,980
Financial (costs)/income							(88,018)
(costs)/income from equity investments	-	-	3,227	1,878	253	(1,901)	14,243
Profit/(loss) before tax							461,205
Taxes							134,648
Net profit/(loss)							**326,558**

Independent auditor's report

In accordance with article 14 of Legislative Decree No. 39 of 27 January 201
and article 10 of Regulation (EU) No. 537/2014

Acea SpA

Consolidated Financial Statements as of 31 December 2020

pwc

Independent auditor's report

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

To the shareholders of
Acea SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Acea Group, (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position as of 31 December 2020, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

PricewaterhouseCoopers SpA

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Emphasis of matter

We draw your attention to paragraph "Trend of operating segments – Water Operating Segments" of the report on operations and to paragraph "Service Concession Arrangements" of the notes which describe:

- the uncertainties regarding the subsidiary Acea Ato5 SpA linked to (i) the financial imbalance which arose following the Area Authority's approval of the 2020-2023 tariff structure by resolution no. 1/2021 which casts significant doubt on the company's ability to continue as a going-concern, (ii) the ongoing tax litigation and (iii) the complex in and out of court legal dispute with the Area Authority which is mainly related to the termination of the concession agreement, the approval of the 2016-2020 tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;

- the complex regulatory measures, with particular reference to what lies behind the approval process of water tariffs.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

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

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Determination of revenue from sales and services and receivables for invoices to be issued	
Note 1 "Revenue from sales and services" and note 25.b "Trade receivables" to the consolidated financial statements	
The Group recognised in the consolidated financial statements as of 31 December 2020 receivables from users for invoices to be issued for an amount equal to Euro 412 million compared to revenue from sales and services amounting to Euro 3,205 million. The Group recognises revenue from sales and	The audit procedures we performed consisted in understanding, assessing and validating the operation of relevant controls implemented by management as part of the revenue cycle, with particular, but not exclusive, reference to the update of the customer database, the recognition of meter readings, consumption estimates, the

services when control of the good is actually transferred or when a service is rendered and measures it at the fair value of the consideration received or receivable.

In particular:

i) Revenues from the sale and transport of electricity and gas are recognised at the time the service is supplied or provided, even if they are not invoiced, and are determined by adding estimates on the volumes supplied/transported to revenues that are calculated on the basis of pre-established meter reading calendars.

ii) Revenues from distribution of electricity take into account the tariffs and the restriction on revenue established by the Italian Regulatory Authority for Energy, Networks and the Environment ("ARERA"). Moreover, if the admission of investments in tariffs that establishes the operator's right to payment is virtually certain, the corresponding revenues are recognised as determined by the ARERA resolution 654/2015 (the so-called regulatory lag).

iii) Revenues from integrated water service are determined on the basis of the estimated consumption for the period and of the tariffs and of the operator's Guaranteed Revenue Constraint (GRC) provided for in the tariff plan prepared in accordance with the Water Pricing Method applied for the calculation of the 2020-2023 tariffs and approved by the competent authorities. Furthermore, the Group recognises under revenues for the year adjustments for the so-called pass-through items, as well as any adjustment related to costs pertaining to the Integrated Water Service incurred for the occurrence of exceptional events (i.e. water and environmental emergencies), if the preliminary investigation for their recognition has given positive results.

calculation of tariffs and the valuation of invoices and receipts, as well as the related disclosure provided by the directors.

Moreover, we performed the following specific substantive tests for each type of revenue.

i) <u>Revenues from the sale and transport of electricity and gas</u>

- We compared the electricity and gas quantities sold included in the billing system with the data communicated by the distributors and the quantities purchased, in order to establish the reasonableness of the estimated quantities sold still to be billed;
- We verified the correct valuation of invoices to issue based on the estimated quantities sold but not yet invoiced and the tariffs in force in the period under analysis.

ii) <u>Revenues from electricity distribution</u>

- We compared the quantities distributed included in the billing system with the quantities supplied to the grid communicated by the dispatcher net of expected grid losses, in order to ascertain the reasonableness of the estimated quantities distributed not yet invoiced;
- We tested the correct valuation of invoices to issue on the basis of the estimated distributed quantities still to be invoiced and of the tariffs in force in the period under analysis;
- We verified the correct calculation of receivables/payables for the electricity equalisation to the extent of the difference between sales revenues invoiced/to be invoiced to customers and the regulatory revenues attributable to the year and established by the ARERA;
- We verified the consistency of the methods followed to determine the accruals for the "regulatory lag".

The methods to determine allocations for invoices to be issued are based on the use of complex algorithms and include significant estimates. Therefore, we paid particular attention to the risk of wrong calculation of revenues from sales and services and of the related receivables from users for invoices to be issued.

iii) Revenues from the integrated water service

- We reconciled revenues from the integrated water service with the GRC adjusted to reflect the adjustments to the pass-through items and those related to the costs incurred in consequence of exceptional events occurred;
- We verified the correct determination of receivables for invoices to be issued for tariff adjustments to an extent equal to the difference between revenues for bills issued /to be issued and the adjusted GRC;
- We tested, on a sample basis, the correct valuation of bills issued/to be issued based on the consumption data and the tariffs in force.

Investments and disinvestments of non-current assets and impairment test

Note 14 "Tangible fixed assets", note 16 "Goodwill", note 17 "Concessions and rights on infrastructure", note 18 "Intangible fixed assets" and note 19 "Right of use" to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2020 non-current assets equal to Euro 6,234 million, of which Euro 2,787 million related to tangible assets, Euro 3,149 million related to intangible assets, Euro 224 million related to goodwill and Euro 74 million of right of use.

The Group investments in the period totalled Euro 959 million, of which Euro 335 million related to tangible assets and Euro 624 million related to intangible assets (including concessions and goodwill).

In this respect, we highlight that for regulated activities (in particular the integrated water service and the electricity distribution), the tariffs and, accordingly, the Group's revenues are directly influenced by the amount of the invested capital and therefore by the changes in non-

We addressed our compliance procedures in order to comprehend, evaluate and validate the internal control system with reference to the corporate processes related to the management of non-current assets.

Our substantive tests were focused on the analysis of the changes in non-current assets during the financial year, verifying that they were reconciled with the fixed asset register, with a sample of investments and divestments during the year, especially in the integrated water service and in the electricity distribution segments.

With reference to these segments, we verified if the requirements for the capitalization of internal and external costs provided for by IAS 16 and IAS 38 had been complied with and also the existence of the services capitalized, that is if the service or assets being verified had been actually rendered or delivered/installed and correctly recognised.

With reference to the impairment test, we addressed our audit procedures in order to:

current assets. As a result, the overestimate or underestimate of the abovementioned non-current assets could increase or decrease the tariffs applied to final users under the performance of the integrated water service and the transport of electricity.

Annually, the Group, on the basis of its internal procedures, performs the impairment test pursuant to IAS 36 using the Discounted Cash Flow method to determine the recoverable amount of assets. The impairment test is based on a two-level approach. A first level concerns the estimate of the recoverable amount of intangible assets with an indefinite life (goodwill) and a second level relates to the estimate of the recoverable amount of equity investments in associates and of the other non-current assets. In particular, goodwill is tested for impairment at least annually and with the same frequency, in compliance with a specific internal policy, the impairment test is carried out on the equity investments in associates and the other non-current assets, also without any impairment indicators. With reference to FY2020 the Company's management availed itself of an external expert for the performance of the impairment test.

Considering the numerous changes occurred during the year in the assets of the regulated activities and the presence of impairment indicators for non-current assets, we devoted special audit attention to this financial statement area.

i) assess the consistency of the estimate method used by the Group with the provisions of IAS 36 and the valuation practice,

ii) verify the process of identification of the Cash Generating Units (CGUs), based on the current organisational structure,

iii) verify the appropriateness of the types of cash flows used and their consistency with the Group's Industrial Plan 2020-2024 approved by the Board of Directors on 27 October 2020, partially updated to take account of the events occurred between the date of approval of the Plan and the date of approval of the financial statements;

iv) verify the reasonableness of the main assumptions used by management to perform the impairment test and related sensitivity analyses, with particular reference to the subsidiary Acea Ato5 in light of the Area Authority's approval of the 2020-2023 tariff structure; and

v) evaluate the independence, technical capabilities and related objectivity of the external expert engaged by the management for the performance of the impairment test, as well as the methods used by him.

As part of our auditing we were supported, where necessary, by our PwC network experts in valuations.

Finally, we examined the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Determination of the provision for doubtful accounts – trade receivables

Note 25.b to the consolidated financial statements "Trade receivables"

We addressed our audit procedures in order to verify the correctness of the reports generated by the information systems and

The Group recognised in the consolidated financial statements as of 31 December 2020 a provision for doubtful trade accounts for an amount equal to Euro 640 million. At each reporting date the Group estimates the irrecoverable amount of trade receivables based on complex calculation models which rely upon the requirements in the accounting standard IFRS 9 "*Financial Instruments*". The estimate of the recoverability of trade receivables is characterised by a specific complexity related to the high number of customers and to the fragmentary nature of the amounts. Furthermore, the evaluations are affected by different socio-economic variables related to the different categories of customers. Therefore, as part of our audit activities we paid particular attention to the risk of a wrong quantification of the estimate under examination.	used by the directors in order to determine the Expected Credit Losses that can be attributed to the balance of receivables from specific customers or customer clusters. We also tested the reasonableness of the assumptions underlying the calculation model. Through inquiries of the credit managers of the Group and of individual companies, we evaluated, on a sample basis, certain specific positions by analysing the lawyers' replies to the requests for information, by examining the guarantees given by the various customers and by assessing any other piece of information gathered after the reporting date. Finally, we verified the consistency of the method used by the Company with the provisions of IFRS 9 and the accuracy of the mathematical calculation for the determination of the expected credit losses, as well as the related disclosure provided by the directors.
Business combinations	
"Business combinations" section of the consolidated financial statements During 2020, the Group continued the acquisition process, started in the last quarter of the prior year, of several companies operating in the Group's relevant sectors. The control of the aforesaid companies, recognised in accordance with IFRS 3 "Business combinations", was acquired both through the acquisition of the majority of the capital shares and through the signing of a shareholders' agreement. The allocation of the price paid required a significant estimation process considering the assumptions used to determine the fair value of the acquired assets and liabilities. For such matters, the directors were supported, when deemed necessary, by external experts. Due to the number of acquisitions and the	We addressed our audit procedures in order to verify the methodological correctness of the accounting process underlying the acquisitions, with particular reference to the transactions entailing the acquisition of control through the signing of a shareholders' agreement. Furthermore, we verified that assets and liabilities were appropriately identified as well as the reasonableness of the assumptions underlying the directors' estimates to determine the related fair value and the allocation of the price paid. We evaluated the independence, technical capabilities and the objectivity of the external experts involved, as well as the methods used by them.

complex issues underlying the related measurement and recognition process, we paid particular attention to such financial statement matter.	As part of our audit activities, we availed ourselves, where necessary, of the support of the PwC network experts in valuations. Finally, we verified the disclosures provided by the directors with reference to the business combinations performed and the related financial statement items.

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

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

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Acea SpA or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

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

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

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

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

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

On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

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

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Acea Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Acea Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Acea Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

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

The directors of Acea SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

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

Rome, 31 March 2021

PricewaterhouseCoopers SpA

Signed by

Massimo Rota
(Partner)

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

Certification of separate financial statements in accordance with art.154-bis of Legislative Decree 58/98
(Translation from the original Italian text)

1. The undersigned, Giuseppe Gola, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company ACEA S.p.A., taking also account of provisions envisaged by Art.154-bis, paragraphs 3 and 4, of the Legislative Decree n°58 of 24 February 1998, hereby certify:

    - the consistency to the business characteristics and
    - the effective application

    of the administrative and accounting procedures for preparing the separate financial statements at 31 December 2020.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:
    3.1 the separate financial statements:
        a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
        b) are consistent with the underlying accounting books and records,
        c) provide a true and correct view of the operating results and financial position of the issuer,

    3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 31 March 2021

signed by: Giuseppe Gola, The CEO

signed by: Fabio Paris, The Executive Responsible for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers