



**Consolidated Financial
Statements
Abbreviated Interim 2020**

Report on Operations

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Acea Organisational Model

Acea is one of the major Italian multiutilities, and has been quoted on the stock exchange since 1999.

Acea adopts an operational model based on an organisational layout in line with the Strategic Business Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. Acea's macrostructure is based around the corporate functions and six industrial areas - Environment, Commercial and Trading, Water, Energy Infrastructure, Engineering and Services and Overseas.

The activities of each business segment are described below.

Environment

The Acea Group is one of the leading national players with more than 1 million tonnes of waste processed each year. It manages the main waste-to-energy plant and the largest composting plant in Lazio. In particular, the Group develops investments in the waste to energy business, considered high potential, in accordance with the strategic goal of producing energy from waste and protecting the environment.

Commercial and Trading

The Acea Group is a major operator in Italy in the sale of electrical energy and offers innovative and flexible solutions for the supply of electricity and natural gas to consolidate its position as a dual fuel operator. Acea operates in the market segments of medium-sized businesses and families, striving to improve the quality of its services in particular as far as web and social channels are concerned. It supervises the Group's energy management policies.

Water

The Acea Group is the top Italian operator in the water sector serving 9 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria, Campania and Molise.

Energy Infrastructure

The Acea Group is a major operator in Italy with about 10 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of 224,000 light bulbs. The Acea Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects. Consistent with the strategy of the Industrial Plan, the Acea Group has returned to growth in the renewable energy market through the acquisition of a number of photovoltaic plants in Italy.

Engineering and Services

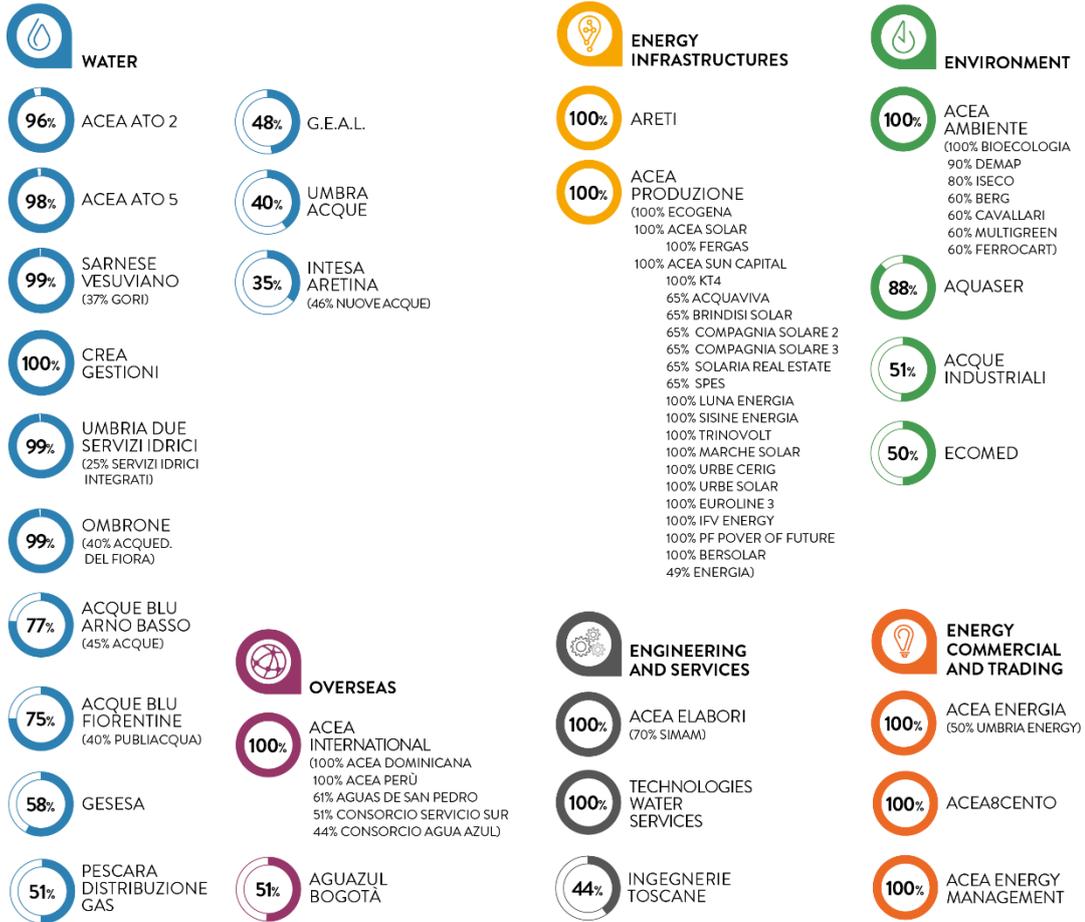
The Group has developed know-how at the forefront in the design, construction and management of integrated water systems: from the source to the aqueducts, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. Laboratory services are of particular importance.

Overseas

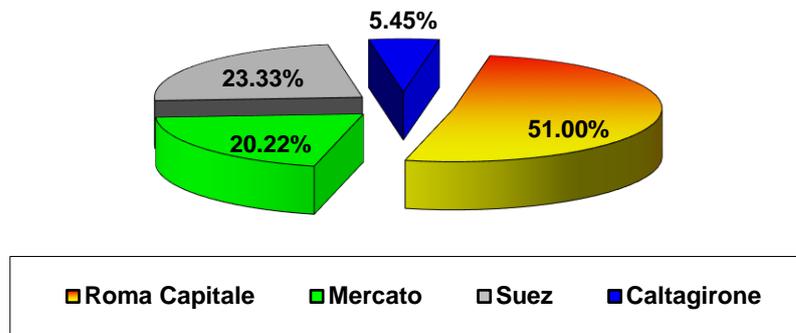
Through this Area, the Acea Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy.

It is present in Honduras, Dominican Republic, Colombia and Peru, serving approximately 4 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

The Group structure, in the various business segments, comprises the following main companies.



The share capital of Acea SpA at 30 June 2020 is broken down as follows:



*The above chart only shows equity investments of more than 3%, as confirmed by CONSOB data.

Corporate bodies

Board of Directors¹

Michaela Castelli	Chairwoman
Giuseppe Gola	Managing Director ²
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo Del Sasso	Director
Gabriella Chiellino	Director
Diane Galbe	Director
Giovanni Giani	Director
Liliana Godino	Director
Giacomo La Rocca	Director

Board of Statutory Auditors

Maurizio Lauri	Chairman
Pina Murè	Standing Auditor
Maria Francesca Talamonti	Standing Auditor
Maria Federica Izzo	Alternate Auditor
Mario Venezia	Alternate Auditor

Financial Reporting Officer²

Fabio Paris

Auditing Firm

PricewaterhouseCoopers S.p.A.

¹ Appointed by the Shareholders' Meeting on 29 May 2020

² Appointed by the Board of Directors on 29 May 2020

Summary of Results

Income Statement Data (€ million)	30/06/2020	30/06/2019	Change	% Change
Consolidated revenues	1,622.0	1,553.1	68.9	4.4%
Consolidated operating costs	1,069.7	1,070.1	(0.4)	(0.0%)
Income/(Costs) from equity investments of a non-financial nature	16.2	19.4	(3.2)	(16.5%)
Net income/(costs) from commodity risk management	0.2	0.1	0.1	70.1%
EBITDA	568.7	502.6	66.1	13.1%
EBIT	277.4	260.2	17.2	6.6%
Net profit/(loss)	164.7	154.7	10.0	6.5%
Profit/(loss) attributable to minority interests	20.9	11.7	9.2	78.7%
Net Group result	143.8	143.0	0.8	0.6%

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
Environment	26.2	33.5	(7.3)	(21.7%)
Commercial and Trading	29.8	31.2	(1.4)	(4.5%)
Overseas	13.8	7.9	5.9	75.0%
Water	305.4	244.0	61.4	25.2%
Energy Infrastructure	206.1	193.3	12.8	6.6%
Engineering and services	5.5	6.5	(1.0)	(15.4%)
Corporate	(18.2)	(13.8)	(4.3)	31.4%
Total EBITDA	568.7	502.6	66.1	13.1%

Consolidated balance sheet data (€ million)	30/06/2020	31/12/2019	Change	% Change	30/06/2019	Change	% Change
Net Invested Capital	5,650.6	5,169.5	481.0	9.3%	4,738.4	912.2	19.3%
Net Debt	(3,527.5)	(3,062.8)	(464.7)	15.2%	(2,842.5)	(685.0)	24.1%
Consolidated Shareholders' Equity	(2,123.1)	(2,106.7)	(16.4)	0.8%	(1,895.9)	(227.2)	12.0%

Investments (€ million)	30/06/2020	30/06/2019	Change	% Change
Environment	9.5	10.6	(1.2)	(11.2%)
Commercial and Trading	17.4	18.5	(1.2)	(6.3%)
Overseas	0.9	3.6	(2.7)	(74.9%)
Water	229.2	168.3	60.9	36.2%
Energy Infrastructure	141.3	133.4	7.9	5.9%
Engineering and services	2.7	0.8	1.9	n.s.
Corporate	9.6	6.6	3.0	45.5%
TOTAL	410.6	342.0	68.6	20.1%

Net Debt (€ million)	30/06/2020	31/12/2019	Change	% Change	30/06/2019	Change	% Change
Environment	286.7	256.5	30.2	11.8%	206.6	80.1	38.8%
Commercial and Trading	(45.5)	(53.2)	7.7	(14.5%)	(15.1)	(30.4)	n.s.
Overseas	(7.0)	(4.5)	(2.5)	54.4%	5.9	(12.9)	n.s.
Water	1,417.1	1,286.5	130.6	10.2%	1,179.0	238.1	20.2%
Energy Infrastructure	1,602.6	1,320.5	282.1	21.4%	1,228.1	374.6	30.5%
Engineering and services	42.6	6.7	35.9	n.s.	11.7	30.9	n.s.
Corporate	230.9	250.4	(19.5)	(7.8%)	226.4	4.5	2.0%
TOTAL	3,527.5	3,062.8	464.7	15.2%	2,842.5	684.9	24.1%

Debt at 30 June 2020: (i) is shown gross of € 16.7 million of receivables relating to IFRIC 12 of Acea SpA; (ii) contains € 155.7 million of payables for dividends approved and not yet distributed to Roma Capitale; (iii) contains € 16.3 million of receivables relating to the request for reimbursement presented to AGCM for repayment of the sum paid in 2019; (iv) is shown gross of € 17.4 million of payables relating to some acquisitions of equity investments in the photovoltaic sector.

Summary of operations and income, equity and financial performance of the Group

Definition of 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 indicators which replace, as of 3 July 2016, CESR/05-178b recommendations. This orientation was acknowledged in our system in 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:

1. For the Acea Group, the 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 the Operative Result to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
2. 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 year 2019) net of Non-current financial assets (excluding a part of receivables related to Acea SpA's IFRIC 12 and securities other than equity investments), Current borrowings and Other current financial liabilities net of current financial assets (including receivables for the repayment requested from the AGCM and the dividends to pay to Roma Capitale), cash and cash equivalents;
3. *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;
4. *net working capital* is the sum of current receivables, inventories, the net balance of other current assets and liabilities and current payables, excluding the items considered in determining the net financial position.

Summary of Results: performance of economic results

Income Statement Data (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenue from sales and services	1,565.5	1,499.9	65.6	4.4%
Other revenue and proceeds	56.5	53.2	3.3	6.2%
Costs of materials and overheads	929.4	945.8	(16.4)	(1.7%)
Personnel costs	140.3	124.3	16.0	12.9%
Net income/(costs) from commodity risk management	0.2	0.1	0.1	70.1%
Income/(Costs) from equity investments of a non-financial nature	16.2	19.4	(3.2)	(16.5%)
EBITDA	568.7	502.6	66.1	13.1%
Amortisation, depreciation, provisions and impairment charges	291.2	242.4	48.9	20.2%
Operating profit/(loss)	277.4	260.2	17.2	6.6%
Financial items	(43.0)	(42.7)	(0.3)	0.7%
Equity investments	2.6	3.6	(1.0)	(27.7%)
Profit/(loss) before tax	237.0	221.0	15.9	7.2%
Income taxes	72.3	66.4	5.9	9.0%
Net profit/(loss)	164.7	154.7	10.0	6.5%
Profit/(loss) attributable to minority interests	20.9	11.7	9.2	78.7%
Net profit/(loss) attributable to the Group	143.8	143.0	0.8	0.6%

Changes in the scope of consolidation took place compared to 30 June 2019. Specifically:

- ✓ On 13 January 2020 Acea International acquired from Impregilo the shares corresponding to 18.5% of the capital of the Consorcio Agua Azul, thus reaching a total of 44% and exercising exclusive control over the company, thus consolidating it in full;
- ✓ On 28 February 2020 Acea Sun Capital continued its acquisition of photovoltaic systems, taking over 100% of Bersolar, on 7 May 100% of Euroline3, on 4 June 100% of IFV Energy and PF Power of Future and on 27 May 2020 49.9% of the acquired Energia company;
- ✓ On 22 April 2020 Acea Ambiente acquired 60% of the companies Ferrocarril and Cavallari, which in turn owns 100% of Multigreen, the companies operate in the provinces of Terni and Ancona that perform 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;
- ✓ On 7 May 2020 Acea Elabori acquired Simam (Servizi Industriali Manageriali Ambientali), a leading company in the design, construction and management of water and waste treatment plants, in environmental works and reclamation, with integrated solutions featuring high technological content;
- ✓ On 15 April 2020 Acea Solar acquired the company Fergas Solar, operating in the field of the development and construction of photovoltaic plants;
- ✓ On 19 May 2020, Acea Innovation acquired 100% of the company Electric Drive Italia, a company that promotes the development of electric mobility through advanced IT solutions.

With regard to 2019, please note that:

- ✓ On 18 March Acea acquired 51% of the company Pescara Distribuzione Gas.
- ✓ On 30 April the companies Acea Solar and Acea Sun Capital were established; the latter includes the acquisitions of photovoltaic plants for a total of 28 MWp made during the second half of 2019.
- ✓ On 25 June Acea SpA set up the company Acea Innovation, operating in the field of technological innovation.
- ✓ On 4 July Acea Ambiente acquired 90% of Demap, a company operating in Piedmont in the field of plastics recycling, and on 18 October acquired 60% of Berg, a waste management company in the Municipality of Frosinone.
- ✓ With effect from 7 October, Acquedotto del Fiora (hereinafter "AdF") is fully consolidated following the amendment of the shareholders' agreements that allowed Acea to exercise control over the company in accordance with IFRS 10.

For more details, see the paragraph "Criteria, procedures and area of consolidation".

The table below shows the main impact of the change in the consolidation scope at 30 June 2020 (gross of intercompany adjustments).

€ million	Consorcio Agua Azul	Pescara Distribuzione Gas	AdF	Demap	Berg	Photovoltaic company	Ferrocarril Cavallari Group	Simam	Total
Revenues	6.8	1.5	57.8	4.8	3.4	6.8	4.9	2.9	88.9
EBITDA	4.5	0.5	28.0	2.0	1.1	5.7	1.6	1.1	44.5
EBIT	3.4	0.2	13.3	1.7	0.8	2.5	1.3	0.8	23.9
EBIT	4.4	0.2	13.2	1.7	0.7	1.5	1.2	0.7	20.5
NP	2.9	0.1	9.1	1.2	0.5	1.3	0.9	0.6	13.4

As at 30 June 2020, revenues from sales and services come to € 1,565.4 million, up € 65.6 million (+ 4.4%) on those of H1 2019, mainly due to the increase in revenues from the integrated water service (+ € 87.6 million). This change is mainly due to: **i)** the full consolidation of AdF for € 57.8 million (in the first half of 2019 the Company was consolidated with the equity method), **ii)** by Acea Ato 2 due to the *tariff increase determined as a result of ARERA Resolution no. 580/2019/R/IDR - MTI-3*, which for the year 2020 marks the beginning of the third regulatory period (*four-year period 2020-2023*) (+ € 38.1 million), this intervention partially offset by the non-recognition of the contractual quality bonus that is zero compared to the same period last year (when it was € 16.8 million) while adjustments deriving from pass-through items (electricity, system change costs, etc.) are down by € 1.0 million.

The following also contributed to the change: **i)** the increase in revenues from waste disposal and landfill management (+ € 15.6 million) deriving for € 6.9 million from the change in the scope of consolidation, while for the remaining part mainly due to higher volumes processed and better tariffs; **ii)** the increase in revenues from gas sales for € 5.9 million mainly due to Acea Energia (+6.9 million scm); **iii)** the revenues of foreign companies + € 11.5 million due to the full consolidation of Consorcio Agua Azul, whose contribution amounted to € 6.8 million as well as the improved performance of Acea Perú, which recorded higher revenues for € 5.6 million.

These increases were partially offset by the reduction in revenues from the sale of electricity of € 57.1 million, of which € 20.4 million related to Acea Ambiente as a result of lower revenues from the CIP 6 contribution ended on 31 July 2019 (- € 13.9 million). The remaining change is mainly due to the revision of the value recognised for the mechanism for offsetting arrears (ARERA Resolution no. 100/2020) as well as for the effects deriving from the reduction in the number of customers served in the standard market and the updating of the tariff components for the remuneration of sales established by ARERA Resolution no. 576/2019.

The total sale of electricity in the standard market in the period January-June 2020 was 1,017 GWh, a decrease of 10.5% on a trend basis. The sale of electricity on the free market amounted to 2,133 GWh for Acea Energia and 218 GWh for the sales JV, for a total of 2,351 GWh, with an increase with regard to the same period last year of 17.7%, primarily related to the B2B segment.

Finally, it should be noted that the item in question also includes the higher revenues (+ € 0.7 million) from the sale of photovoltaic energy deriving from the new companies acquired. These revenues represent the incentive contribution recognised by the GSE for the production of energy from photovoltaic plants.

Other revenues show a decrease of € 3.3 million (+6.2%) compared to the same period of the previous year. The change is mainly due to the energy contributions received by photovoltaic companies of € 6.3 million (of which € 6.1 million as a result of the change in the scope of consolidation), the improvement in the IFRIC 12 margin of € 2.1 million due to higher investments and higher regional and EEC contributions, respectively +€ 0.8 million and +€ 0.4 million. Other revenues were partially offset by the decrease in contingent assets of € 6.4 million.

External costs decreased overall by € 16.4 million (-1.7%) compared to 30 June 2019. The change in the scope of consolidation accounted for € 23.5 million, of which € 15.7 million attributable to the full consolidation of AdF. The following opposite effects are also noted:

- ✓ Lower costs related to the supply of electricity, transport and metering (- € 30.7 million) in line with the trend recorded in revenues;
- ✓ Higher material purchasing costs (+ € 7.5 million), in particular for areti (+ € 2.7 million) and Gori (€ 3.9 million);
- ✓ Increase in costs for concession fees (+ € 3.6 million) mainly related to AdF for € 2.4 million, to Acea Ato 2 for € 0.6 million and Pescara Distribuzione Gas for € 0.5 million;
- ✓ Higher costs for services (+ € 8.7 million), referring for € 11.6 million to the change in scope (of which AdF € 11.4 million), from higher disposal and transport costs for sludge, which for the same scope increased for € 2.5 million, in particular for Gori and Acque industriali, offset by a reduction in other services for € 10.9 million, mainly attributable to Gori;

Labour costs increased by € 16.0 million (+12.9%) compared to the same period of the previous year. The change in the scope of consolidation (+ € 11.7 million) was mainly influenced by the full consolidation of AdF, which contributed an increase of € 8.6 million.

The average number of employees was 7,909 and increased by 1,298 compared to the same period of the previous year, mainly due to the effect of the change in the scope of consolidation.

€ million	30/06/2020	30/06/2019	Change	Change %
Staff costs including capitalised costs	220.6	199.2	21.5	10.8%
Costs capitalised	(80.3)	(74.9)	(5.4)	7.2%
Personnel costs	140.3	124.3	16.0	12.9%

The income from non-financial equity investments represent the consolidated result according to the equity method included among the components forming the consolidated EBITDA of the strategic companies. The following table also includes the results of AdF consolidated in equity until 7 October 2019 equal to € 2.6 million.

€ million	30/06/2020	30/06/2019	change	% change
EBITDA	62.7	75.1	(12.4)	(16.5%)
Amortisation, depreciation, impairment charges and provisions	(37.8)	(41.8)	4.0	(9.6%)
Financial items	(1.8)	(6.6)	4.8	(72.8%)
Taxes	(6.9)	(7.2)	0.4	(5.0%)
Income from equity investments of a non-financial nature	16.2	19.4	(3.2)	(16.5%)

EBITDA rose from € 502.6 million at 30 June 2019 to € 568.7 million at 30 June 2020, recording an increase of € 66.1 million or 13.1 %. The increase is due to the change in the scope of consolidation of € 44.5 million (AdF contributed € 28.0 million). Given the same scope, the growth of EBITDA mainly derived from the tariff dynamics of the water sector (+ € 33.1 million), primarily as a result of the *tariff increase determined following ARERA Resolution no. 580/2019/R/IDR - MTI*. This was followed by the increase in margins of the distribution sector (+ € 13.0 million) deriving from the positive effect of the energy balance, mainly as a result of the equalisation effects, as well as for the reduction of network losses. The Environment Segment had a negative impact of € 12.0 million, mainly as a result of lower revenues relating to CIP 6 which ended on 31 July 2019. The generation sector also showed a decrease in EBITDA of € 6.8 million mainly due to the decrease in prices on the energy markets, also following the COVID-19 emergency (the Day-Ahead Market price of H1 2019 was 48.58 €/MWh compared to 28.01 €/MWh of H1 2020), as well as to the reduction in volumes produced as a result of the decrease in water inputs (- 36.3 GWh compared to the same period of 2019). In contrast, the new photovoltaic companies generated an EBITDA of € 5.7 million.

EBIT grew by € 17.2 million on the same period of the previous year. The increase in EBIT was mitigated by the growth in amortisation and depreciation (+ € 39.9 million compared to H1 2019), which mainly concerned the Water Segment (+ € 22.0 million). The consolidation of AdF contributed to the increase by € 13.0 million.

Below are details of the items influencing EBIT.

€ million	30/06/2020	30/06/2019	Change	% Change
Amortisation / depreciation of intangible and tangible assets and write-downs	239.9	200.1	39.9	19.9%
Provision for doubtful accounts	43.8	36.0	7.8	21.5%
Provision for risks and charges	7.5	6.3	1.2	19.3%
Amortisation, depreciation, impairment charges and provisions	291.2	242.4	48.9	20.2%

Net of changes in scope, the increase change in depreciation is mainly linked to investments during the period in all areas of business and also takes account of developments related to the technological platform common to the Acea Group. areti also contributed to the increase due to the effect of the acceleration of depreciation (started at year-end 2019) of first-generation electric meters according to the swap plan for the installation of second-generation meters.

The increase in the item Write-down of receivables is mainly due to Gori for € 3.9 million.

Provisions increased by € 1.2 million, of which € 0.7 million deriving from the full consolidation of AdF.

The result of financial operations showed net charges of € 43.0 million and an increase in charges of a total of € 0.3 million compared to the same period in 2019, partly due to the consolidation of AdF and partly due to the increase in the Group's indebtedness. Note that at 30 June 2020 the average all-in global cost of the Acea Group's debt stood at 1.82% compared to 2.15% in the same period of the previous year.

It should also be noted that following last year's acquisitions of photovoltaic companies, the Business Combinations were closed for a part of the transactions that were recorded according to the acquisition method, leading to the recording of income of € 2.6 million.

The estimate of the fiscal charges amounted to € 72.3 million, compared to € 66.4 million in the same period last year. The overall increase of € 5.9 million is mainly due to the higher pre-tax profit. The tax rate for 30 June 2020 was 30.5% (30.0% at 30 June 2019).

The Group's net income amounted to € 143.8 million, marking an increase of € 0.8 million compared to the same period of financial year.

Summary of Results: trends in financial position and cash flows

Consolidated balance sheet data (€ million)	30/06/2020	31/12/2019	Change	% Change	30/06/2019*	Change	% Change
NON-CURRENT ASSETS AND LIABILITIES	6,071.6	5,825.8	245.8	4.2%	5,289.9	781.7	14.8%
NET WORKING CAPITAL	(421.0)	(656.2)	235.2	(35.8%)	(551.6)	130.5	(23.7%)
INVESTED CAPITAL	5,650.6	5,169.5	481.0	9.3%	4,738.4	912.2	19.3%
NET DEBT	(3,527.5)	(3,062.8)	(464.7)	15.2%	(2,842.5)	(685.0)	24.1%
Total shareholders' equity	(2,123.1)	(2,106.7)	(16.4)	0.8%	(1,895.9)	(227.2)	12.0%
Total sources of financing	5,650.6	5,169.5	481.0	9.3%	4,738.4	912.2	19.3%

It should be noted that between the item "non-current assets and liabilities" and the "net working capital" there is a reclassification for a better presentation of the data from 31 December 2019.

Non-current Assets and Liabilities

The non-current assets and liabilities increased by € 245.8 million (+ 4.2%) compared to 31 December 2019, mainly due to the increase in intangible fixed assets (+ € 251.4 million).

€ million	30/06/2020	31/12/2019	Change	% Change	30/06/2019	Change	% Change
Tangible/intangible fixed assets	5,816.5	5,565.1	251.4	4.5%	5,006.7	809.8	16.2%
Equity investments	297.3	270.8	26.4	9.8%	289.5	7.8	2.7%
Other non-current assets	667.2	637.0	30.2	4.7%	639.1	28.2	4.4%
Employee severance indemnity and other defined benefit plans	(106.2)	(104.6)	(1.6)	1.5%	(104.8)	(1.4)	1.4%
Provisions for risks and charges	(209.6)	(151.4)	(58.2)	38.5%	(194.3)	(15.4)	7.9%
Other non-current liabilities	(393.5)	(391.1)	(2.4)	0.6%	(346.2)	(47.2)	13.6%
Non-current assets and liabilities	6,071.6	5,825.8	245.8	4.2%	5,289.9	781.7	14.8%

The change in intangible fixed assets is mainly due to the investments, which reached € 410.6 million, and amortisations and value reductions, totalling € 239.9 million.

See the following table as regards the investments made in each Operating Segment.

Investments (€ million)	30/06/2020	30/06/2019	Change	% Change
Environment	9.5	10.6	(1.2)	(11.2%)
Commercial and Trading	17.4	18.5	(1.2)	(6.3%)
Overseas	0.9	3.6	(2.7)	(74.9%)
Water	229.2	168.3	60.9	36.2%
Energy Infrastructure	141.3	133.4	7.9	5.9%
Engineering and services	2.7	0.8	1.9	n.s.
Corporate	9.6	6.6	3.0	45.5%
TOTAL	410.6	342.0	68.6	20.1%

The **Environment Segment** made investments of € 9.5 million and compared to 30 June 2019 decreased € 1.2 million, referring mainly to the investments made by Acea Ambiente for works carried out in the plants in Aprilia, San Vittore and Sabaudia and for works at the landfill in Orvieto. The change in the scope contributed to investments with an increase of € 1.0 million.

The **Sales and Trading Segment** recorded investments for € 17.4 million (- € 1.2 million compared to HI 2019) and mainly related to € 8.7 million to the cost of acquiring new customers in accordance with IFRS 15, for € 7.2 million to IT implementation projects and for € 1.4 million related to cloud licences on which the new Customer Relationship Management is being designed.

The **Overseas Segment** showed a decrease of € 2.7 million, mainly due to the company Aguas de San Pedro.

The **Water Segment** invested a total of € 229.2 million, an increase compared to 30 June 2019 of € 60.9 million due to higher investments by Acea Ato 2 (+ € 29.1 million) and the consolidation of AdF (+ € 15.5 million), Gori (+ € 10.5 million) and Acea Ato 5 (+ € 3.8 million). The investments in the Segment mainly refer to the reclamation and expansion of the water and sewer pipes of the various municipalities, the extraordinary maintenance of the water centres, the work on the purifiers and the transport systems (connectors and feeders).

The **Infrastructure and Energy Segment** recorded an increase in investments of € 7.9 million, mainly relating to areti (+ € 5.4 million). Investments by areti refer mainly to 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. Intangible investments refer to projects for the re-engineering of information and commercial systems. Investments made by Acea Produzione mainly concern the works of the Orte, Sant'Angelo and Salisano hydroelectric plants and the Tor di Valle and Montemartini thermoelectric plants. The investments made by Acea Solar refer to the preparatory activities for the construction of plants.

The **Engineering and Services Segment** recorded investments of € 2.7 million, mainly due to the purchase of industrial and trade equipment by Acea Elabori. The change in the scope of consolidation of Simam for € 0.7 million contributed to this.

Corporate carried out investments of € 9.6 million, which mainly relate to IT developments and investments in offices used for company activities.

Group investments concerning shared IT infrastructure totalled € 21.1 million.

Equity investments increased by € 26.4 million compared to 31 December 2019. The change is due to negative values. Among these we note:

- ✓ The valuation of consolidated companies using the equity method for + € 16.2 million;
- ✓ Change in the scope of consolidation of + € 16.5 million due to the equity consolidation of Energia Spa (+ € 24.5 million) partially offset by the full consolidation of Consorcio Agua Azul (- € 7.6 million), which was previously consolidated into shareholders' equity;
- ✓ Other changes of - € 6.7 million, mainly related to the distribution of dividends (- € 6.4 million) and by the OIC (- € 0.4 million).

The stock of **employee severance indemnity and other defined benefit plans** reported an increase of € 1.6 million, mainly due to the effect of the change in the scope of consolidation (+ € 2.9 million) offset in part by the drop in the rate used (from 0.77% at 31 December 2019 to 0.70% in 30 June 2020).

Provisions for risks and charges increased by 38.5% compared to the previous year mainly as a result of the provision for interim taxes, which includes the balance arising from the consolidation of SIMAM (+€ 0.5 million).

€ million	31/12/2019	Uses	Provisions	Payment of Redundancy Funds	Reclassification s/Other changes	30/06/2020
Legal	16.2	(0.7)	1.3	(0.4)	(0.0)	16.4
Taxes	9.3	0.0	0.1	(0.2)	(0.2)	9.1
Regulatory risks	27.6	(0.0)	0.9	(0.0)	0.1	28.5
Investees	7.5	0.0	0.0	(0.2)	0.0	7.3
Contributory risks	1.4	(0.3)	0.0	(0.1)	0.1	1.1
Insurance excess	10.3	(1.0)	1.1	0.0	0.0	10.3
Other risks and charges	25.2	(1.0)	3.2	(0.0)	1.0	28.4
Total Provision for Risks	97.5	(3.1)	6.7	(0.9)	0.9	101.1
Early retirements and redundancies	29.1	(9.8)	0.0	(0.1)	0.4	19.6
Post mortem	17.1	0.0	0.0	0.0	0.2	17.3
Provision for Settlement Charges	0.1	0.0	0.0	0.0	0.0	0.1
Provision for Charges of others	7.6	(0.4)	1.8	0.0	0.1	9.1
Provision for interim taxes	0.0	0.0	61.7	0.0	0.7	62.4
Total Provision for Charges	53.9	(10.2)	63.5	(0.1)	1.4	108.6
Total Provisions for Risks and Charges	151.4	(13.3)	70.2	(1.0)	2.3	209.6

Net working capital

The change in **net working capital** compared to 31 December 2019 is mainly due to the increase in receivables from users and customers for € 109.8 million and the decrease in current payables for € 69.5 million, partially offset by an increase in other current assets for € 49.2 million.

€ million	30/06/2020	31/12/2019	Change	30/06/2019	Change
Current receivables	1,145.7	1,035.5	110.2	1,046.8	98.9
- due from end users/customers	1,044.9	935.1	109.8	958.9	86.0
- due to Roma Capitale	84.5	86.7	(2.2)	72.9	11.6
Inventories	67.2	57.3	9.8	53.2	14.0
Other current assets	274.5	225.3	49.2	198.9	75.6
Current payables	(1,530.7)	(1,600.3)	69.5	(1,462.0)	(68.7)
- due to Suppliers	(1,412.8)	(1,472.8)	60.0	(1,338.8)	(74.0)
- due to Roma Capitale	(112.3)	(121.7)	9.3	(118.8)	6.5
Other current liabilities	(377.6)	(374.1)	(3.5)	(388.4)	10.8
Net working capital	(421.0)	(656.2)	235.2	(551.6)	130.5

Receivables from user accounts and customers, net of the provision for doubtful receivables, increased by € 109.8 million compared to the end of 2019, also influenced by the COVID-19 effect. Note: i) an increase of € 99.0 million in receivables from the Water Segment, mainly due to Gori, Acea Ato 5, Acea Ato 2 and AdF; ii) an increase in receivables from the Environment Segment for € 8.7 million, mainly due to the consolidation of the new Ferrocarril and Cavallari acquisitions (+ € 8.5 million); iii) the engineering and services segment recorded an increase in receivables of € 6.3 million deriving from the acquisition of Simam for € 4.7 million and for the remaining portion of TWS; iv) international also increased the amount of receivables of € 3.3 million deriving from the full consolidation of the Consorcio Agua Azul for € 1.1 million and for € 2.4 million of Aguas de San Pedro; offset the decrease in receivables from the Commercial and Trading Segment for € 8.9 million, mainly due to Acea Energia.

Receivables from customers are shown net of the Provision for impairment of receivables, amounted to € 635.2 million compared to € 651.5 million at the end of 2019. The decrease is due to the effects of the sale of non-performing receivables amounting to € 47.3 million at 30 June.

In the first half of 2020, receivables totalling € 632.0 million were transferred pro-soluto, of which € 90.3 million to the Public Administration.

As far as **relations with Roma Capitale** at 30 June 2020 are concerned, the net balance is in debt for the Group for € 22.1 million mainly as a result of the recognition of the share dividends for the 2019 financial year (€ 86.7 million). The change in receivables and payables is due to the accrual of the period and the effects of offsets, summarised below.

- ✓ February 2020: receivables for € 10.5 million relating to the Public Lighting service, 2018 fees and 2016-2018 pro-rata amounts in exchange for Acea's share dividends for the year 2018;
- ✓ March 2020: receivables for € 20.4 million relating to water services for the years 2017-2018 in exchange for the Acea Ato 2 concession fee;
- ✓ June 2020: receivables for € 2.1 million relating mainly to water services for water fountains (for the years 2015-2018) in exchange for the Acea Ato 2 concession fee.

During the period the stock of trade receivables recorded a decrease of € 2.2 million compared to the previous period mainly due to the user billing for the period (€ 20.0 million) and the offsets detailed above (€ 22.5 million).

Financial receivables grew € 13.3 million compared to the previous period, to be attributed to the combined effect of: **i)** compensation of financial receivables in February (as noted above), and **ii)** accrual during the period of receivables relative 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 (€ 23.7 million).

During the half-year, payables increased by € 66.9 million. The main changes are listed below:

- ✓ Recognition of the payable for Acea's share dividends accrued in 2019 of € 84.7 million, as resolved by the Shareholders' Meeting in May 2020.
- ✓ inclusion of the debt for Acea Ato 2 security dividends accrued in 2019 equal to € 2.0 million;
- ✓ Registration of the portion accrued in the period for the concession fee of Acea Ato 2 for € 13.2 million.
- ✓ Zeroing of the Acea Ato 2 concession fee for 2016 due to offsets for the period for € 21.7 million;
- ✓ Decrease in the payable for Acea's share dividends for 2018 of € 10.5 million following the payment made through compensation in February;
- ✓ Decrease in the Acea Ato 2 concession fee for 2017 for € 0.7 million following payment through compensation.

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.

Amounts due from Roma Capitale	30/06/2020	31/12/2019	Change
Utility receivables	88.4	90.6	(2.2)
Provisions for write-downs	(9.4)	(9.3)	(0.0)
Total receivables from users	79.0	81.2	(2.2)
Receivables for water works and services	2.3	2.5	(0.2)
Receivables for water works and services to be invoiced	1.6	1.5	0.2
Contributions	0.0	0.0	0.0
Provisions for write-downs	(1.9)	(1.9)	0.0
Receivables for electrical works and services	3.8	3.8	0.0
Provisions for write-downs	(0.3)	(0.3)	0.0
Total receivables for works	5.5	5.5	0.0
Total trade receivables	84.5	86.7	(2.2)
Financial receivables for Public Lighting services billed	143.9	138.8	5.0
Provisions for write-downs	(30.2)	(30.2)	0.0
Financial receivables for Public Lighting services to be billed	52.7	39.2	13.5
Provisions for write-downs	(18.4)	(15.0)	(3.5)
M/L term financial receivables for Public Lighting services	13.5	15.2	(1.7)
Total Public Lighting receivables	161.4	148.2	13.3
Total Receivables	246.0	234.9	11.1

Payables due to Roma Capitale	30/06/2020	31/12/2019	Change
Electricity surtax payable	(15.2)	(15.3)	0.0
Concession fees payable	(87.1)	(96.4)	9.3
Other payables	(10.1)	(10.1)	0.0
Dividend payables	(155.7)	(79.5)	(76.2)
Total payables	(268.1)	(201.2)	(66.9)
Net balance receivables payables	(22.1)	33.7	(55.8)

Current payables dropped due to the decrease in the stock of trade payables (- € 60.0 million). This reduction derives particularly from areti (- € 26.6 million) and Acea Energia (- € 14.3 million).

Other Current Assets and Liabilities recorded an increase of € 49.2 million (of which € 6.9 million for change in scope) and € 3.5 million (of which € 6.1 million for change in scope) compared to last year.

More specifically, other assets increased as a result of the increase in receivables from the compensation fund (+ € 21.5 million) and receivables accrued for green certificates (+ € 4.7 million) partially offset by the reduction in VAT receivables (- € 17.0 million). As regards the increase in other current liabilities, there was an increase in payables to social security institutions (+ € 8.0 million) and in accrued expenses and deferred income (+ € 14.7 million), partially offset by the decrease in other payables (- € 14.0 million), in particular as a result of the reduction in payables to employees (- € 11.2 million).

Net financial debt

Group **debt** recorded an overall increase of € 464.7 million, going from € 3,062.8 million at the end of 2019 to € 3,527.5 million at 30 June 2020. This change is a direct consequence of the investments made in the dynamics of the operating cash flow and of the change in scope. In addition, the direct effect related to the COVID-19 emergency contributed to an increase in debt, resulting in a delay of collections from customers and a postponement of collections related to regulatory items.

€ million	30/06/2020	31/12/2019	Change	% Change	30/06/2019	Change	% Change
Non-current financial assets/(liabilities)	2.4	2.4	0.0	0.6%	1.7	0.6	37.3%
Parent company, subsidiaries and associates current financial assets/(liabilities)	24.4	26.2	(1.7)	(6.6%)	29.1	(4.7)	(16.1%)
Non-current borrowings and financial liabilities	(4,122.6)	(3,551.9)	(570.7)	16.1%	(3,462.0)	(660.6)	19.1%
Net medium/long-term debt	(4,095.8)	(3,523.4)	(572.4)	16.2%	(3,431.1)	(664.7)	19.4%
Cash and cash equivalents and securities	465.2	835.7	(370.5)	(44.3%)	981.0	(515.8)	(52.6%)
Short-term debt	(112.1)	(541.9)	429.9	(79.3%)	(528.1)	416.0	(78.8%)
Current financial assets/(liabilities)	214.6	111.5	103.1	92.4%	91.7	122.9	134.1%
Parent Company and Associates non-current financial assets/(liabilities)	0.6	55.3	(54.6)	(98.9%)	44.1	(43.4)	(98.6%)
Short-term financial position	568.3	460.5	107.8	23.4%	588.6	(20.3)	(3.5%)
Total net financial position	(3,527.5)	(3,062.8)	(464.7)	15.2%	(2,842.5)	(685.0)	24.1%

As regards the **medium/long-term component**, the increase of € 572.4 million compared to the end of 2019 refers to the increase in non-current payables and financial liabilities (€ 570.7 million). This change derives from the increase in bonds for € 492.0 million and in the increase in non-current financial payables and liabilities for € 78.7 million, as shown in the following table:

€ million	30/06/2020	31/12/2019	Change	Change %	30/06/2019	Change	Change %
Bonds	3,246.3	2,754.3	492.0	17.9%	2,753.3	493.0	17.9%
Medium/long-term borrowings	876.3	797.6	78.7	9.9%	708.6	167.6	23.7%
Medium/long-term debt	4,122.6	3,551.9	570.7	16.1%	3,462.0	660.6	19.1%

Bonds of € 3,246.3 million increased by a total of € 492.0 million mainly due to the placement of the bond issued in January 2020 by the Parent Company under the Euro Medium Term Notes (EMTN) programme. The amount of € 495.0 million includes the long-term portion of the stipulation costs.

Medium/long-term loans of € 876.3 million increased by € 78.7 million due to the Parent Company (+ € 67.7 million), which entered into a new loan of € 99.9 million (net of the long-term portion of the stipulation costs), to AdF (+ € 5.0 million), which this year obtained the modification of the repayment plan of the structured loan that it stipulated in 2015 with a pool of banks and for € 8.8 million due to the modification of the scope of consolidation offset for € 13.1 million by the reduction of *areti*.

The following table shows medium/long-term and short-term borrowings (excluding the portion applied for the IFRS 16) by term to maturity and type of interest rate:

Financing:	Total Residual Debt	By 30.06.2021	Due from 30.06.2021 to 30.06.2025	After 30.06.2025
fixed rate	320.0	27.7	227.7	64.6
floating rate	429.6	48.8	186.0	194.9
floating rate cash flow hedge	158.3	14.4	50.0	93.9
Total	907.9	90.9	463.7	353.4

The fair value of Acea hedging derivatives was negative for € 0.6 million, decreasing by € 0.4 million compared to 31 December 2019 (was negative for € 1.0 million). The fair value of AdF hedging derivatives was negative for € 4.8 million (at 31 December 2019 it was negative for € 4.1 million), while that of Gori was negative for € 1.3 million.

The **short-term** component is positive for € 568.3 million and, compared to the end of 2019, shows an increase of € 107.8 million, generated for € 77.7 million by the Parent Company.

At 30 June 2020 the Parent Company held unused uncommitted credit lines totalling € 539.1 million. No guarantees were granted in obtaining these lines.

It must be noted that the long-term Ratings assigned to Acea by the International Ratings Agencies were:

- Fitch "BBB+";
- Moody's "Baa2"

Net shareholders' equity

The **net shareholders' equity** amounted to € 2,123.1 million. The changes, amounting to € 16.4 million, are detailed in the relevant table and are basically due to the distribution of dividends, the accrual of H1 2020 profits, the change in the area of consolidation and the change in the cash flow hedge reserves and those formed by actuarial profits and losses as well as the changes in the scope of consolidation.

Reference context

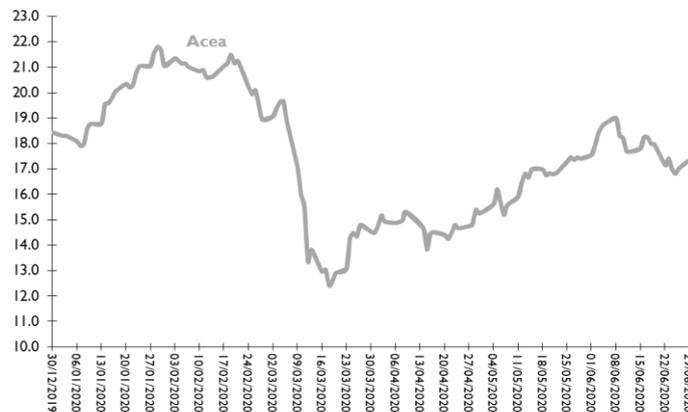
Performance of the equity markets and the Acea share

In H1 2020, the Italian Stock Exchange and the international equity markets were down overall, mainly influenced by the COVID-19 emergency, which led to a significant global financial and economic crisis. After the gains recorded in the first stock market sessions of 2020, stocks all over the world showed strong declines but partially recovered in the second quarter of the year thanks to support measures taken by central banks and governments.

Below are the changes in the main indices of the Italian Stock Exchange: FTSE MIB -17.6%; FTSE Italia All Share -17.5%; FTSE Italia Mid Cap -18.5%.

During the period under review, Acea lost 7.3% compared to a 17.5% decline in the FTSE Italia All Share. The share price stood at € 17.09 at 30 June (capitalisation: € 3,640 million). The maximum value of € 21.80 was reached on 29 January, while the minimum value of € 12.40 was reached on 18 March. During the half-year, average daily volumes were above 175,000, substantially in line with the same period of 2019.

(euros)



(Source: Bloomberg)

The following graph shows re-based figures for Acea's share price, compared to Stock Market indices.

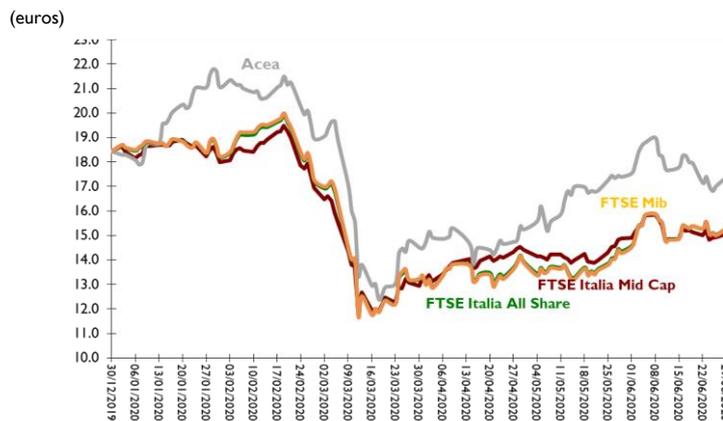


Chart normalised to Acea values. Source: Bloomberg

	Change % at 30/06/2020 (compared to 31/12/2019)
Acea	-7.3%
FTSE Mib	-17.6%
FTSE Italia All Share	-17.5%
FTSE Italia Mid Cap	-18.5%

In the first six months of 2020 95 studies/notes on Acea were published.

Energy market

In Italy in the first half of 2020 cumulative electricity demand (143,514 GWh) decreased by -8.9% compared to the same period of the previous year. The reduction is concentrated in the period March-June 2020, particularly in April, and derives largely from the effects of the COVID-19 health emergency. In particular, electricity demand in Italy in June 2020 was 23.9 billion kWh, down 13.4% compared to the same month in 2019. This value was obtained due to an extra working day (21 v. 20) and an average monthly temperature of 2.6°C lower than last June. The seasonally adjusted figure corrected for calendar and temperature effects brings the variation to -10.4%.

At a territorial level, the trend change in June 2020 was negative everywhere: -10% in the North, -9.6% in the Centre, -6.6% in the South, -4.0% on the islands. In cyclical terms, the seasonally adjusted value corrected for calendar and temperature effects of electricity demand in June 2020 showed a positive change (+1%) compared to the previous month (May 2020).

90% of electricity requirements were covered by national (Italian) production and the remaining share was covered by imports from abroad (balance of imports down by 28.2% compared to the same period of the last year).

The net national production (130,932 GWh) showed a decrease of 6.1% compared to the same period in 2019. Specifically, energy produced by thermal sources (-11.7%) and energy produced by wind (-6.7%) decreased, while energy produced by photovoltaic sources (+9.2%) and energy produced by water source (+8.2%) increased. The energy produced from a geothermal source remained unchanged).

With regard to the results of the Italian electric power market, volumes traded in Italy continued to register a significant decrease on an annual basis (-9.3%) to 22.6 TWh.

Volumes traded on the power exchange decreased by 5.2% to 16.5 TWh, as did volumes traded over the counter, recorded on the PCE and named on the MGP, decreasing to 6.0 TWh (-18.9%).

As a result, market liquidity stood at 73.3%, increasing by 3.2% over 2019.

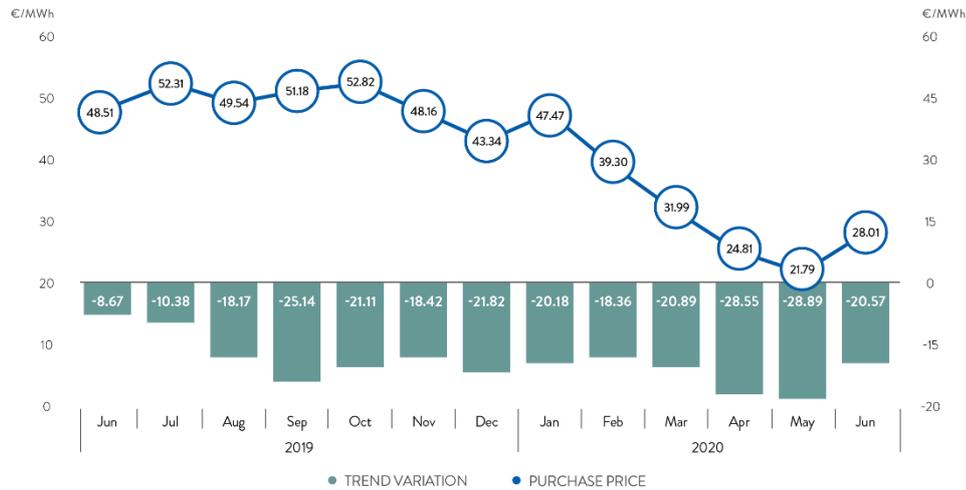
LIQUIDITY ON THE DAM³



During June 2020, the average energy purchase price (PUN) recorded an average value of € 28.01/MWh, down by € 20.57/MWh compared to 2019 (-42.3%). The reduction in PUN in June 2020 derives from the effects of the COVID-19 health emergency, which significantly reduced consumption demand and consequently the price of the material, and still reflects a context characterised also by high availability of renewable supply and extremely low gas costs.

An analysis of hourly segments showed a downward trend both in off-peak hours, where there was a decrease of - € 19.13/MWh (-42.1%) and in peak hours, where there was a decrease of - € 23.69/MWh (-43.3%). Prices stood at € 26.35/MWh and € 31.08/MWh respectively.

The peak/baseload price ratio was 1.11 (+0.02 compared to 2019).

DAM: NATIONAL SINGLE PRICE (PUN) ³


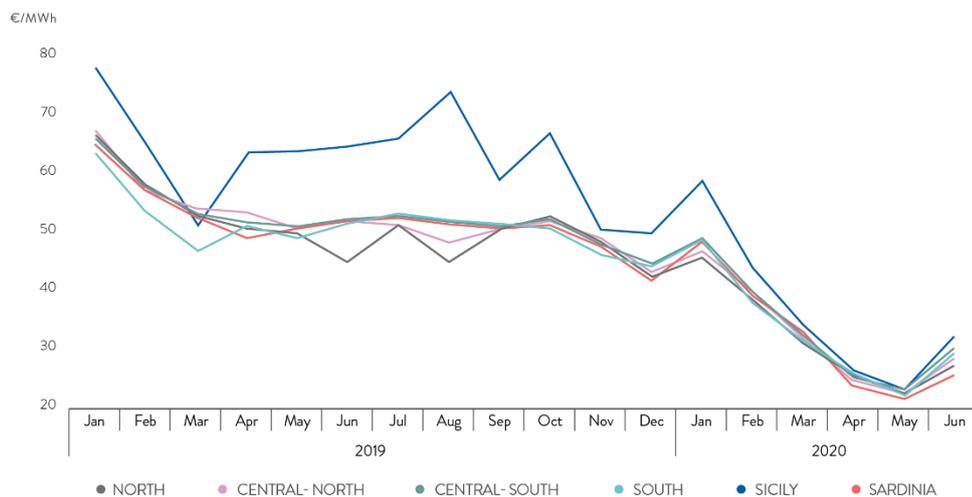
Zone sales prices range from € 25.60/MWh in Sardinia to € 31.70/MWh in Sicily. There is a cyclical increase in all sale prices, although still much lower than in the period before the COVID emergency, but a sharp annual reduction (-18 to -23 €/MWh on the peninsula, +4 to -26 €/MWh in Sardinia and +9 to -33 €/MWh in Sardinia).

Domestic purchases totalled 21.5 TWh, down sharply (-12.4%). An analysis by area shows a trend reduction in purchases throughout the national territory, in particular in the Central North (-14.1%), in Sardinia (-13.8%), in the North (-12.9%), in the South (-12.7%), in the Central South (-10.2%), in Sicily (-8.6%), while on a monthly basis there was a recovery everywhere (+6 to +11%).

Purchases of energy in foreign areas (exports), amounting to 1.0 TWh, more than tripled compared to a year ago (+228.9%).

The sales of electricity produced nationally reached 20.8 TWh, only a slight decrease compared to a year ago (-2.7%). An analysis by zone shows reductions ranging between the volumes of the Central South (-11.6%) and the volumes of the North (-0.1%).

Energy sales in foreign areas (imports) dropped by half in 2019, reaching 1.8 TWh (-49.9%).

DAM: Sale Prices³

TARIFFS FOR TRANSPORT SERVICES

2020 was the fifth year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods.

The regulations are included in three Integrated Texts: "Integrated Text of dispositions of the Authority for supplying electricity transmission and distribution services (TIT)", Annex A to resolution 568/2019/R/eel, the "Integrated Text of dispositions of the Authority for the supply of the electricity metering service (TIME)"; Annex B to resolution 568/2019/R/eel, and the "Integrated Text on dispositions of the Authority for the economic conditions for supplying connection services (TIC)", Annex C to resolution 568/2019/R/eel, published on 27 December 2019.

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the restriction on revenue permitted to each company (the reference tariff). The compulsory tariffs for the year 2020 were published with resolution 568/2019/R/eel on 27 December 2019. In view of the COVID-19 emergency, on 28 May 2020 ARERA published resolution 190/2020/R/eel containing urgent interventions necessary to implement the provisions of the Italian Relaunch Decree on the reduction of the expenditures incurred by low voltage electricity user accounts other than domestic users for the months of May, June and July 2020.

The regulations in force in the previous regulatory sub-period include:

1. Regulatory lag and return on invested capital;
2. Extension of regulatory useful life;
3. Tariff adjustment criteria: cost coverage, measurement.

With regard to the first point, ARERA confirmed the manner for offsetting the regulatory lag, recognising new investments made both for Distribution and for measurement (without retroactivity).

The criterion based on the increase in the investment rate of return granted to new investments, equal to 1% (year t-2), has been replaced by recognition in the capital base (RAB) also of the investments made in year t-1, evaluated on the basis of pre-final data communicated to ARERA. These data were used for the determination of the provisional tariffs of reference published by resolution 162/2020/R/eel on 12 May 2020 and will then be replaced by the final data for the determination of the definitive tariffs of reference published by February of the following year.

On 28 April 2020 ARERA published resolution 144/2020/R/eel with which it determined the definitive tariffs of reference for distribution and metering services for the year 2019.

In the year t, the ARERA only recognises the remuneration of the invested capital concerning the assets which entered use in the year t-1, without recognising the relevant amortisation rates (which are still recognised in the year t-2).

In the new sub-period, ARERA confirmed the previously established regulatory useful life.

With resolution 639/2018/R/COM of 6 December 2018, ARERA updated the values of the parameters used to calculate the rate of return on net invested capital (WACC) for the three-year period 2019-2021, establishing a value of 5.9% for the distribution service.

In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the ARERA on the basis of actual company costs and on the basis of scale variables.

These costs, when calculating the company-based tariff, according to the definitions of Resolution No. 568/2019, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets.

Updating of the distribution reference tariff after the first year is individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

- The portion of the tariff covering operating costs will be updated using the price cap mechanism (with a productivity recovery target of 1.3%);
- the part intended to provide a return on invested capital will be updated on the basis of the gross fixed investment deflator, movements in the volume of services provided, gross investments started up and differentiated according to the voltage level and the rate of variation linked to increased returns designed to provide incentives for investments;
- the part intended to cover depreciation has been updated, using the gross fixed investment deflator, movements in the volume of services provided and the rate of variation linked to the reduction in gross invested capital as a result of disposal, discontinuation and end of life, and the rate of variation associated with gross investments that have become operational.

The ARERA confirms for 2020 the mechanism, already introduced in the third regulatory period, for the higher remuneration of certain categories of investments made until 2015, not extending this mechanism also for the 2016-2023 cycle.

In Resolution 568/2019, ARERA allows the distribution companies concerned to submit an application by 30 September 2020 to request the single payment of the highest amount due with regard to the entire residual duration of the incentive.

As regards marketing, ARERA confirmed a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities (single all-inclusive company tariff for the distribution and marketing service).

With regard to the transmission tariff, the ARERA confirmed the introduction of a binomial tariff (capacity and consumption) for high voltage customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalisation mechanism has been confirmed.

The general equalisation mechanisms for distribution costs and revenue for the regulatory cycle in force are:

- Equalisation of the revenues from the distribution service;
- Equalisation of the transmission costs;
- Equalisation of the value of the difference between effective losses and standard losses.

The purpose of equalising the revenues of the distribution service is to equalise the revenues deriving from the comparison between the revenues billed to users through the compulsory tariff and the distributor's allowed revenues, calculated through the company's tariff of reference.

With Resolution 568/2019, ARERA established that the equalisation of the revenues from distribution would be reduced by an amount equal to 50% of the net revenues from the use of the electrical infrastructure for purposes additional to the electric service, recorded at the end of year n-2.

The equalisation of transmission costs is aimed at making the cost recognised to Terna for the transmission service (CTR) pass through the distributor, with the amount paid by end customers through the mandatory transmission tariff (TRAS).

With Resolution 568/2019, by 31 July 2020 distribution companies are required to communicate to CSEA the information relating to the number of operations of increase or reduction of committed power requested by domestic customers connected to their grids. In this regard, on 9 June 2020 the Authority published the determination 10/2020-DIEU with which it establishes that this equalisation will be managed by CSEA with a single collection of data for the entire three-year period with the same phases and timing envisaged in the general equalisation of the year 2019.

On 19 December 2019, Resolution no. 559/2019/R/eel confirmed the standard loss values to be applied to withdrawals, injections and interconnections between networks referred to in Table 4 of the TIS for the year 2020.

With regard to the procedure initiated with resolution 677/2018/R/eel on the finalisation of the regulation of losses on distribution networks for the three-year period 2019-2021, on 9 June ARERA published consultation document 209/2020/R/eel. Distribution companies are required to submit their comments and proposals by 10 July 2020.

This document envisages:

- The updating of the conventional percentage factors for commercial losses to be applied to distribution companies for equalisation for the aforementioned three-year period and consequently the revision of the standard loss factors to be applied to end customers from 1 January 2021;
- The establishment of a new trajectory for the reduction of commercial losses recognised to distribution companies in the three-year period 2019-2021, as well as the modification of the methods for calculating and applying the mechanism for mitigating commercial losses;
- The introduction of a mechanism for decoupling part of the network losses attributable to fraudulent "non-recoverable" use due to external elements not dependent on the actions of the companies themselves.

Equalisation of the purchase of electricity supplied for own use in transmission and distribution continues to be regulated in the new regulatory period.

In the new Transport Integrated Text, the ARERA has confirmed the mechanism of advance recognition on a two-monthly basis, of equalisation balances for revenue from the distribution service and transmission costs.

The Measurement Integrated Text (TIME) governs tariffs for the metering service, divided into meter installation and maintenance, taking meter readings, confirming and recording readings. The structure of the fees has been confirmed with respect to the previous regulatory period.

ARERA confirmed the method of recognising the capital costs for low voltage electronic meters, for firms serving more than 100,000 grid points, based on criteria for determining the investments effectively realised by the single firms and retaining the criterion of calculating the measurement service tariffs on the basis of the national costs for the remote management systems and the electromechanical devices still being used (residual cost), also retaining the measurement equalisation for the fifth regulatory cycle. The equalisation mechanism is intended to equalise the revenue from the comparison of the obligatory tariffs billed to end users and the revenue valorised in the reference tariff.

The tariffs hedging the measurement service are updated, as are those for the distribution service, using the price-cap mechanism for the part hedging the operating costs (with the goal of a 0.7% recovery of productivity) and with the deflator, variation in invested capital and rate of change of the volumes supplied for the part hedging the invested capital and amortisations. The rate of remuneration of the measurement capital is the same as that for the distribution service.

Note that with resolution No. 646/2016/R/eel of 10 November 2016, the ARERA has shown how the definition and recognition of costs related to second generation (2G) smart metering systems for measuring low voltage electricity. On 8 March 2017, it published a release in which it updated the evaluation of the plan for entry into service of the 2G smart metering system prepared by e-distribuzione S.p.A. In order to present ARERA with an illustrative report on the commissioning plan of the 2G smart meter system, the company defined a project for the development of this system with the aim of replacing the current system of electronic meters.

Starting in 2017, and only with regard to the investments that come into operation in 2017, the ARERA has established in the same resolution that for the annual updating of the return on invested capital and depreciations concerning metering points effectively in low voltage, for each distribution firm, the maximum gross investment value recognisable per meter installed in 105% of the corresponding gross investment value per meter for the investments that came into operation in 2015.

On 20 March 2019, with the consultation document 100/2019/R/eel, the Authority introduced an update for the three-year period 2020-2022 of the provisions on the determination and recognition of costs relating to second generation (2G) smart metering systems. In particular, the proposals set out in the consultation document include:

- I. the possibility of setting obligations on the timing of commissioning of 2G systems together with the modulation of the "conventional plan" in order to reduce the risk of a "two-speed country"; the updating and simplification of the

provisions relating to admission to the shortened programme for companies that launch their plan for commissioning 2G smart metering systems in that three-year period;

2. The assessment of the provisions of Decree 93/2017 of the Minister for Economic Development concerning the periodic verification of electricity meters and the extra costs that could result from them;
3. the possibility of introducing provisions to quantify the penalties to be applied in the event of non-compliance with the expected levels of performance of 2G smart metering systems.

This was followed by Resolution no. 306/2019/R/eel on 16 July, which confirmed the guidelines presented in the previous consultation document. Specifically:

- The Authority set 2022 as the deadline for the start of the plans for the commissioning of 2G systems and established that the mass replacement phase for the meter must be completed by 2026 (with a target of 95% of the meters included in the plan). Furthermore, in order to avoid the "two-speed country" risk, a new method of calculating the "conventional plan" was introduced for companies that have not yet submitted their rollout plan.
- Starting from the 4th year of each PMS2, penalties are introduced for failure to meet expected performance levels, with annual and multi-annual ceilings on penalties for greater protection of service users.
- The regulatory useful life of the asset categories relating to the low-voltage electricity metering service to be applied to investments in 2G smart metering systems is 15 years.
- The remuneration and amortisation of the invested capital shall be determined according to a fixed rate amortisation plan. Amortisation plan instalments are calculated as deferred annual instalments, considering a return time horizon consistent with the regulatory useful life.

On 20 September, *areti* sent the Authority the request for admission to the recognition of investments under the specific regime together with the plan for the commissioning of the 2G smart metering system and the other documents required by Resolution no. 306/2019/R/eel. The documentation was made available on 23 September on the *areti* website, and on 21 October a public session was held to present the Plan, during which the Company responded to the comments made by participants. On 20 December the Authority requested detailed information on the actual operating capital costs of Measure 1G and 2G set out in PMS2.

The updated PMS2 and Explanatory Report documents were sent to ARERA on 8 April 2020 and are awaiting approval. Resolution 213/2020/R/eel, which follows 177/2020/R/eel accompanied by DCO 178/2020, provides for transitional amendments for the year 2020 to some of the directives for second generation (2G) smart metering systems for measuring low voltage electricity.

Specifically, in view of the COVID-19 emergency and its impact on the replacement of meters, the Authority has:

- Waived – at least for 2020 – the upgrade criterion the level of the Municipality or other significant territory;
- Established that the next PDFMs, which must have a maximum quarterly frequency, can only have indicative value as long as the emergency persists. Moreover, each PDFM must be published 15 days in advance of the beginning of the month in which mass replacements of meters are planned;
- Suspended – at least for 2020 – the provisions on penalties for failure to achieve at least 95% of the progress (cumulative) envisaged by PMS2;
- Suspended – for the year 2020 only – the application of the IQI (Information quality incentive) matrix, which defines the value of the incentives to be paid to companies for the different combinations of actual expenditures incurred and planned, since the comparison between actual costs and expected costs may be subject to factors that affect the comparison.

ARERA also considers it appropriate to offer distribution companies the option of proposing the updating of their upgrade plan during 2021 to adjust for the effects of the epidemiological emergency.

The "Integrated Text on dispositions of the Authority for the economic conditions for supplying connection services (TIC)", Annex C to Resolution 568/2019/R/eel, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by end users, contract transfers, disconnections, etc.) to paying end users, essentially in line with the previous regulatory period.

The regulatory changes that have taken place since 1 January 2016 allow the distributor to affirm that the right to remuneration for invested capital arises, from an accounting point of view, at the same time as investments are made and the depreciation process is initiated in compliance with the accrual principle and correlation of costs and revenues. For this purpose, the remuneration for investments (including related amortisation and depreciation) was calculated and recorded in the energy margin at the same time as they were realised (so-called regulatory accounting).

The Italian Waste Management market

The current situation of production and treatment capacity for waste in the traditional operational areas of the Acea Group and in the neighbouring areas shows a high "potential demand" for waste management (disposal in landfills, waste-to-energy, composting and biogas production, sludge and liquid waste treatment, recycling of mixed materials and production of secondary raw materials). This is facilitated by a national regulatory framework that provides incentives and by the regulatory support of European directives on the recovery of materials and energy, as well as by the implementation of the European Union's policy guidelines on the circular economy (closing the loop), which are being implemented in Italy by virtue of a delegated law that has given the government the obligation to update environmental legislation – adapting it to the new EU standards – by 2020.

Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.

Finally, the expansion of the potential for disposal/recovery of sewerage sludge – in the context of value added environmental services (sludge treatment, compost) – could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

Sector regulations

The following paragraphs illustrate the main developments that took place during H1 2020, both with regard to the regulatory framework of reference and, more in detail, with regard to sector regulations.

Sector regulations for the COVID-19 health emergency

During this half year, the government has been intensely focused on measures to combat the COVID-19 epidemic. As is known, on 30 January 2020 the World Health Organisation declared the COVID-19 epidemic to be an international public health emergency and on 11 March 2020 elevated its classification to a pandemic. In Italy, with the resolution of 31 January 2020 ("Declaration of a state of emergency as a result of the health risk related to the onset of diseases deriving from transmissible viral agents" published in Official Gazette no. 26 of 01/02/2020), the Council of Ministers declared a state of emergency for six months as a result of the health risk related to the onset of diseases deriving from transmissible viral agents.

Since then, a number of measures have been taken in this area, and the situation is evolving. The measures that are most relevant for the period are briefly outlined below.

With Italian Legislative Decree 6/2020, converted with amendments by Italian Law 13/2020 ("Conversion into law with amendments of Italian Decree-Law no. 6 of 23 February 2020 containing urgent measures for the containment and management of the COVID-19 epidemiological emergency" published in Official Gazette no. 61 of 09/03/2020), the government required the competent authorities to adopt all appropriate containment and management measures proportionate to the evolution of the epidemiological situation, in municipalities or areas where at least one person for whom the source of transmission is unknown or in any case where there is a case not attributable to a person from an area already affected by the contagion, and without prejudice to the right to adopt further measures. Among the measures indicated by way of example for public services are the closure or limitation of the activity of public offices, the provision that access to essential public services is conditional on the use of personal protective equipment or the adoption of special precautionary measures identified by the competent authority; the suspension of work for companies, excluding those that provide essential services and public utilities and those that can be carried out at home; and the adoption through special decrees of the President of the Council of Ministers of extraordinary and urgent measures aimed at the containment and adequate and proportionate management of the COVID-19 epidemic.

In implementation of the aforementioned decree-law, several decrees followed with which the President of the Italian Council of Ministers has adopted and modulated a series of measures including – with the Italian Ministerial Decree of 9 March 2020 ("Further implementing provisions of Italian Decree-Law no. 6 of 23 February 2020 containing urgent measures for the containment and management of the COVID-19 epidemiological emergency, applicable throughout the nation", published in Official Gazette no. 62 of 09/03/2020) – the extension to the entire national territory, from 10 March to 3 April 2020, of the measures referred to in article 1 of the Italian Ministerial Decree of 8 March 2020.

The subsequent Italian Ministerial Decree of 11 March 2020 ("Further implementing provisions of Italian Decree-Law no. 6 of 23 February 2020 containing urgent measures for the containment and management of the COVID-19 epidemiological emergency, applicable throughout the nation", published in Official Gazette no. 64 of 11 March 2020) and Italian Ministerial Decree of 22 March 2020 ("Further implementing provisions of Italian Decree-Law no. 6 of 23 February 2020 containing urgent measures for the containment and management of the COVID-19 epidemiological emergency, applicable throughout the nation" published in Official Gazette no. 76 of 22 March 2020) carried further measures providing for the suspension until 3 April 2020 of retail activities, food services and personal services and the suspension of industrial and commercial production with the exception of those deemed essential or providing a public utility, indicated in Annex 1 to the same provision. In any case, companies whose activities are not suspended must comply with the provisions of the shared protocol regulating measures to combat and contain the spread of the COVID-19 virus in workplaces stipulated on 14 March 2020 between the government and the trade unions".

The subsequent Italian Ministerial Decree of 1 April 2020 ("Implementing provisions of Italian Decree-Law no. 19 of 25 March 2020, containing urgent measures to address the COVID-19 epidemiological emergency, applicable throughout the nation", published in Official Gazette no. 88 of 02 April 2020), which also ceases the effectiveness of the provisions of the Italian Ministerial Decree of 8, 9, 11 and 22 March 2020, it extended until 13 April 2020 all the measures adopted to combat the spread of the COVID-19 contagion.

The aforementioned deadline was then further deferred to 3 May by the Italian Ministerial Decree of 10 April 2020 ("Further implementing provisions of Italian Decree-Law no. 19 of 25 March 2020 containing urgent measures to address the COVID-19 epidemiological emergency, applicable throughout the nation" published in Official Gazette no. 97 of 11-04-2020), which, by transposing and unifying the measures contained in the previous Italian Ministerial Decree of 25 March 2020, among other things confirmed the specific restrictions on the movement of citizens and the suspension of industrial production and retail activities with the exception of those considered essential or providing services of public utility, updating the relevant lists and at the same time terminating the effects of the aforementioned previous Italian Ministerial Decree, while specifying the validity of any more stringent measures adopted by the regions. These provisions were subsequently supplemented/replaced by the subsequent Italian Ministerial Decree of 26 April 2020 for the period from 4 to 17 May, Italian Ministerial Decree of 17 May 2020 for the period from 18 May to 14 June and Italian Ministerial Decree of 11 June 2020 for the period from 15 June to 14 July. During the periods defined by the aforementioned decrees the regulatory actions of ARERA developed in accordance with the provisions contained therein.

With Italian Legislative Decree 18/2020 “Measures to strengthen the National Health Service and economic support for families, workers and businesses related to the COVID-19 epidemiological emergency” (so-called Cura decree law), converted with amendments from Italian Law no. 27 of 24 April 2020 (in Official Gazette no. 16 of 29/04/2020) to art. 72-bis, which essentially reproduces the text of art. 3 of Italian Legislative Decree 9/2020, ARERA is requested to provide for the municipalities most affected by the COVID-19 epidemic, identified by Annex I to the Italian Ministerial Decree of 1 March 2020, the temporary suspension until 30 April 2020 of the payment terms of bills and payment notices issued or to be issued for electricity, gas, water and urban waste services.

Water Regulation

The year 2020 marks the beginning of the third regulatory period, namely the four-year period 2020-2023; with the approval at the end of 2019 of the relevant tariff methodology by ARERA (Resolution 580/2019/R/IDR - MTI-3). Thus were launched the activities of the Area Governing Bodies (hereinafter AGBs) and the operators aimed at defining the tariffs of the IVS for the period in question and presenting the tariff proposal to the Authority.

It should also be noted that this year significant provisions of the Authority issued in previous years will apply, with particular reference to the regulation of contractual and technical quality and late payments:

- ✓ An incentive mechanism related to the technical quality of the IVS (resolution 917/2017/R/IDR - RQTI) is envisaged, with the quantification and allocation of bonuses and penalties for the first two years of application (performance of the years 2018 and 2019 with respect to the situations in 2016 and 2018, respectively);
- ✓ The new incentive mechanism for contractual quality introduced with the changes made by Resolution 547/2019/R/IDR to the RQSII enters into force. Bonuses and penalties will therefore be quantified from 2022 onwards on the basis of performance in each of the two previous years;
- ✓ The new regulations on the arrears of the IVS (resolution 311/2019/R/IDR - REMSI) will apply.

Since the second half of February 2020, the regulatory framework on which the Authority established its measures has been profoundly affected by the effects of the COVID-19 epidemic emergency. The regulator has necessarily been focused on the measures to be taken in relation to the current health emergency, with the aim of ensuring the continuity and availability of essential services (in particular to users such as healthcare, assistance and logistical support structures involved in the management of the emergency and those protected by specific regulatory provisions), while ensuring maximum safety and protected conditions for the personnel of the supply companies, in compliance with national provisions. The current – unprecedented – emergency situation has in fact required urgent action also by the Authority with regard to the sectors it regulates.

Within the framework of the measures adopted for this situation, which are currently rapidly developing, the Authority is also addressing the issue of the effects on the application of regulations, as well as the deadlines previously set for regulatory obligations on AGBs and operators.

With regard to regulatory developments related to other issues of interest to the water sector, it should be noted that the Environmental Annex to the Budget Law should shortly arrive to the Italian Council of Ministers. According to the industry press, the measure will deal with many issues, from reclamation to environmental damage to perfluoroalkyl substances (PFAS).

With regard to the sewerage and sanitation sector, of interest is the appointment with Italian Ministerial Decree of 11 May 2020, published in Official Gazette no. 146 of 10-06-2020, of the new single commissioner and the two sub-commissioners for the design and implementation of the sewerage and purification works, referred to in article 2 of Italian Law no. 18/2017 (Professor Maurizio Giugni, Mr. Stefano Vaccari and Professor Riccardo Costanza). Lasting three years, the assignment concerns the carrying out of the necessary interventions on the collection, sewerage and treatment systems for the agglomerations subject to the judgements of the Court of Justice of the European Union of 19 July 2012 in case C-565/10 and of 31 May 2018 in case C-251/17 (infringement procedure no. 2004/2034) and of 10 April 2014 in case C-85/13 (infringement procedure no. 2009/2034) not yet declared compliant with the date of entry into force of the appointment decree, as well as for the agglomerations subject to infringement procedures no. 2014/2059 and 2017/2181 and any other agglomerations subject to further infringement procedures. The commissioners are based in and operate through the Ministry of the Environment.

With regard to regulatory developments in the EU, reference is made to the publication in the Official Journal of the European Union L177/32 of 5 June 2020 of “Regulation (EU) 2020/741 of the European Parliament and of the Council of 25 May 2020 laying down minimum requirements for the reuse of water”. The regulation enters into force on 25 June and its application in the Member States is foreseen three years after its entry into force.

Below is an analysis of the measures approved by ARERA in H1 2020.

Tariff method - third regulatory period

With the issuance of **Resolution 580/2019/R/idr** at the end of 2019 "Approval of the water tariff method for the third regulatory period MTI-3", the rules for the calculation of the costs eligible for tariff recognition for the regulatory cycle 2020-2023 were defined, also providing for the procedures and deadlines for the submission of the tariff application, with an initial deadline of 30 April 2020 for submission of the relevant documents by the AGB or other competent entity to ARERA.

Emergency regulation of tariff methodology: Resolution 59/2020/R/com of 12 March 2020 “Deferment of the deadlines envisaged by the regulation for environmental and energy services and first quality measures in light of the COVID-19 emergency”, **Resolution 125/2020/R/idr of 13 April 2020** “Request for information for the adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency”, **Resolution 235/2020/R/idr of 23 June 2020** “Adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency”.

In view of the stringent measures taken at a national level to combat and contain the spread of the COVID-19 virus and in order to ensure an orderly process of transposition of the regulation, the Authority considered it necessary to postpone some of the deadlines set (in particular the closest deadlines) in view of the duration of the 6-month state of emergency relating to the health risk declared by the resolution of the Italian Council of Ministers of 31 January 2020. Therefore, with **Resolution 59/2020** in March, the Authority extended to **30 June 2020** the deadline by which the AGB is required to submit the relevant regulatory scheme containing the IWS tariff for the third regulatory period 2020-2023 for approval by the Authority, while the subsequent **Resolution 235/2020** of June postponed this deadline to **31 July** and made some important structural changes to the MTI-3 system. Resolution **235/2020** is the result of a thorough process initiated by the Authority in April with **resolution 125/2020/R/idr**, in which operators were asked about the main emerging issues related to the continuation of the health emergency. The purpose of the survey was to update the existing regulation to ensure continuity of service and protection of end-users. Following the acquisition of the information referred to in the aforementioned measure, the Authority arranged a consultation (DCO 187/2020/R/idr of 26 May 2020 “Guidelines for the adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency”) followed by Resolution 235/2020 for the adoption of urgent measures – on multiple regulatory fronts – aimed at mitigating the effects of the health emergency on the economic and financial equilibrium of the operators and on the performance of the services, while ensuring the continuity of essential services and the stability of the regulatory framework and creating the conditions for the relaunch of investments in the sector.

Among the significant changes made to the tariff methodology by resolution 235/20 are the modification of the rate of the financial charges applied to current ordinary works (for which the same treatment of other fixed assets is envisaged for the two-year period 2020-2021 and a rate equal to 2.77% in the following two-year period 2022-2023), the forecast of both an additional component of costs related to emergency management (Op Covid) and a component to compensate for the effects of payment delays granted to users (Codil). It is also envisaged that during the 2022-2023 biennial update, the AGB may recognise a higher cost related to late payment (COMOR) based on the actual difficulties encountered by the operators, and AGBs are granted the right to allocate any excess resources to further breaks with respect to those used in 2018 and 2019 for the provision of the supplementary bonus and to postpone the recovery of the portion of the charges eligible for tariff recognition in 2020 to years after 2020 (but no later than 2023). If the latter option creates financial problems for management, the AGB may submit a specific request for a financial advance to the Cassa per i Servizi Energetici e Ambientale (CSEA) drawing from the COVID Emergency Account established by the Authority with resolution 60/2020/R/Com, in line with the Italian Ministerial Decree of 9 March 2020 containing new measures to contain and combat the spread of the Covid-19 virus throughout the nation, intended to ensure the financing of initiatives in support of end customers.

With **Resolution DSID 1/2020- of 29 June 2020** “Procedure for the COLLECTION OF TARIFF DATA” the Authority defined the procedures for the collection of technical and tariff data as well as the standard forms for the report accompanying the works programme and the tariff provision for the third regulatory period 2020-2023. In order to guarantee the right of users to the precise knowledge and correct application of the tariff fees due for the service rendered, the Authority lays down in this measure both the methods for calculating any portion to be allocated to cover technical and contractual quality bonuses (to be paid like the other equalisation components to the CSEA) and the obligation to illustrate this in the bill.

Technical Quality

Resolution 46/2020/R/idr of 18 February 2020 “Launch of the procedure for the quantitative assessments envisaged by the incentive mechanism for the technical quality of the integrated water service referred to in Title 7 of Annex A to Authority Resolution 917/2017/R/Idr (RQTI).”

With this measure, the Authority initiated the procedure for the allocation of bonuses and penalties envisaged by the incentive mechanism of the Technical Quality Regulation (resolution 917/2017/R/idr and its annex “A”- RQTI), defining the timing and methods of implementation that, for the operators that have submitted to the Authority a complete set of information for the years 2018 and 2019 for the purpose of defining the rankings would have occurred (in the absence of a health emergency) after the conclusion of the data collection, whose deadline had initially been set at 17/04/2020.

Emergency regulation of technical quality: Resolution 59/2020/R/com of 12 March 2020 “Deferment of the deadlines envisaged by the regulation for environmental and energy services and first quality measures in light of the COVID-19 emergency”, **Resolution 235/2020/R/idr of 23 June 2020** “Adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency”

The aforementioned **resolution 59/2020** postponed the mandatory deadline for the conclusion of the data collection aimed at assessing the achievement of the technical quality objectives for the years 2018 and 2019 to **17 June 2020**, and the **deadline for the allocation of the relevant bonuses and penalties to 31 October 2020** (from 30 September). A Bulletin on 16 June 2020 announced a further postponement of the deadline from 17 June to **17 July 2020** and a subsequent Bulletin of 2 July specifically launched the collection of the required QT 2018-2019 data (as part of the

collection called "Tariffs and Technical Quality of Water Services") by means of online submission by AGBs or other competent entities.

The subsequent **resolution 235/2020**, in addition to confirming the postponement the **deadline** for the **closure of QT 2018-2019 data collection to 17 July 2020**, introduced elements of flexibility in the mechanisms for assessing contractual and technical quality performance. The measure provides for the technical (and contractual) quality objectives for 2020 and 2021 to be assessed cumulatively on a biennial basis. Consequently, for the purposes of applying the bonus (penalty) factors in 2022 with respect to the years 2020 and 2021, the level reached cumulatively for the technical quality macro-indicators from M1 to M6 by the end of 2021 will be an element of assessment.

Contractual Quality

Bulletin of 9 January 2020:

In implementation of the provisions of article 77 of the **RQSII**, the Authority provided for the publication of the IWS contractual quality data communicated by operators for the first two years (2017 and 2018) of full application of the regulation introduced by resolution 655/2015. The figures refer to 140 operators grouped by size based on the population residing in the municipalities declared in the ATID (Territorial Register of the integrated water service). The operators are divided into Top (14 operators including Acea Ato 2, Acque, Gori and Publiacqua), Large (9 operators including Umbra acque), Medium (30 operators including Acea Ato 5, AdF and Nuove Acque) and Small (87 operators including Geal, Gesesa, SII and Acea Ato 5 for the Molise OTA and the Terra Lavoro OTA).

Bulletin dated 18 February 2020 "Data collection: Contractual quality of the integrated water service"

With this communication, ARERA informed operators of the opening of the collection with a deadline for operators of 16 March 2020 and 27 April 2020 for validation by AGBs. For the collection, in addition to the data pertaining to the year 2019, operators are required to provide a summary of the services performed in 2018 for the purpose of applying the incentive mechanism for contractual quality introduced in the RQSII with Resolution 547/2019, to identify the starting level of the macro-indicators of contractual quality MC1 - "Initiation and termination of the contractual relationship" and MC2 - "Management of the contractual relationship and accessibility of the service", the classes of membership and objectives for the year 2020.

With reference to operators such as Acea Ato 2 that apply improvement standards, the Authority's indication is to reclassify the number of services performed within/beyond the standard with reference to the minimum level provided for by the RQSII.

Emergency regulation of contractual quality: Resolution 59/2020/R/com of 12 March 2020 "Deferment of the deadlines envisaged by the regulation for environmental and energy services and first quality measures in light of the COVID-19 emergency", **Resolution 235/2020/R/idr of 23 June 2020** "Adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency"

Due to the COVID 19 emergency the deadlines communicated in February were subsequently postponed respectively to **15 May 2020 for operators and 26 June 2020 for AGBs** by the aforementioned **resolution 59/2020**. The measure also clarified that **non-compliance with the standards** related to the **COVID-19 emergency** can be attributed to "force majeure" with the exclusion of the operator from the obligation to pay automatic compensation.

As anticipated in the previous section, with **Resolution 235/2020** ARERA adopted elements of flexibility in the complex context generated by the COVID-19 emergency, providing for the contractual quality **objectives** for the years **2020 and 2021** to be identified **based on the data** related to the simple indicators recorded in **2018** and assuming that the contractual (and technical) quality **objectives** for 2020 and 2021 are assessed **cumulatively on a biennial basis**. Consequently, for the purposes of applying the bonus (penalty) factors in 2022 with respect to the years 2020 and 2021, the level reached cumulatively for each of the MC1 and MC2 contractual quality macro-indicators by the end of 2021 will be an element of assessment.

Social water bonus

The activities of the Authority during the period under review were aimed at applying the provisions of art. 57 bis of Italian Decree Law no. 124 of 26 October 2019, converted with amendments by Italian Law no. 157 of 19 December 2019 (Italian Tax Decree Law). The measure provides for the extension of the social water bonus to residential domestic users benefiting from guaranteed minimum income and guaranteed minimum pensions, the application of the same also to sewerage and purification services, and from 1 January 2021 automatic recognition to persons with an ISEE within the limits provided by current legislation.

Finally, with regard to the epidemiological emergency caused by COVID-19, the Authority extended the deadlines for the submission of applications for renewal of bonuses by those entitled. Below are the measures of interest in H1 2020:

Resolution 3/2020/R/idr of 14 January 2020 "Amendments to the integrated text on the methods for applying the social water bonus for the supply of water to economically disadvantaged domestic users (TIBSI) in accordance with article 57-bis of Italian Decree Law no. 124 of 26 October 2019, converted with amendments by Italian Law no. 157 of 19 December 2019".

The measure updates the Integrated Text on the methods for applying the social water bonus for the supply of water to economically disadvantaged domestic users (Resolution 897/2017/R/idr as amended, Annex "A" - **TIBSI**) in accordance with article 57-bis of Italian Decree Law no. 124 of 26 October 2019, converted with amendments by Italian Law no. 157 of 19 December 2019. In particular, the recognition of the social water bonus is regulated for residential domestic users benefiting from **guaranteed minimum income** or **guaranteed minimum pensions**, in addition to those suffering economic and social hardship for whom it was already envisaged.

The measure also modifies the **quantification of the bonus** (for which the variable unit portion of the sewerage and purification fee is added to the preferential tariff - variable water quota) and the total charge of the **UI3** component, which is also calculated for the sewerage and purification services. The **new provisions will apply from 1/1/2020**.

Emergency regulation of social bonuses: Resolution 76/2020/R/com of 17 March 2020 “Urgent provisions on the electricity bonus, gas bonus and social water bonus with respect to the urgent measures introduced in the country related to the COVID-19 epidemiological emergency”, **Resolution 140/2020/R/com of 28 April 2020** “Extension of the urgent provisions referred to in resolution 76/2020/R/Com of the authority on the electricity bonus, gas bonus and social water bonus introduced following the COVID-19 epidemiological emergency”, the **SGATE Bulletins of 29 May and 8 June**.

Resolution 76/20, with a view to protecting economically disadvantaged domestic users, **temporarily suspends from 1 March 2020 to 30 April 2020:**

- a) The effects of the **expiry of the deadlines** for applications for the renewal of bonuses. The application for renewal that had a deadline for submission in March and April 2020 may be submitted by 29 June 2020;
- b) The **flow of communications to and from SGATE** regarding the eligibility for the bonus, renewal and issuance of direct debit transfers.

The subsequent resolution **140/20** further extends these terms by providing that consumers whose bonus expires in the period from **1 March to 31 May 2020** are given the right to renew the application for the disbursement of the bonuses beyond the original deadline, extending the time until **31 July 2020**.

Once the application is accepted, following normal checks, the “discount” in the bill will be guaranteed continuously and retroactively from the original expiry.

Subsequent **SGATE Bulletins** remind the users concerned of the terms of renewal of bonuses and announce the reactivation of communication flows related to the management of bonuses.

Consultation Document 204/2020/R/com of 9 June 2020 “Guidelines on automatic recognition of beneficiaries of national social bonuses (Italian Decree Law 124/19)”

The Authority explains the guidelines regarding the possible methods of operation of the system of automatic recognition of social bonuses for electricity, gas and water, scheduled with effect from 1 January 2021, with the aim of guaranteeing their disbursement without the need for those entitled to submit an application. Such a mechanism would allow for the full enjoyment of the effects of reduced expenditures for the services concerned by some 2.5 million households in economic hardship.

The measure falls within the scope of the procedure initiated by ARERA with Resolution 14/2020/R/com “To initiate proceedings for the implementation of the provisions on the automatic recognition of social bonuses by Italian Decree Law no. 124 of 26 October 2019, converted with amendments by Italian Law no. 157 of 19 December 2019” and falls within the lines of action of the 2019-2021 Strategic Framework adopted by ARERA with Resolution 242/2019/A (strategic objective OS3 “Strengthening support mechanisms for vulnerable consumers”).

The proposal to provide for the transition from a system of awarding bonuses “on demand” to a system of automatic attribution to those entitled, based on the electronic exchange of the necessary information contained in the databases of INPS and the IIS (Integrated Information System) was made by the Authority, lastly with the Notification 280/2019/I/Com. In fact, the adoption of the automatic recognition mechanism is intended to bridge the gap between potential beneficiaries and the actual recipients of bonuses which, as highlighted in the aforementioned Report, has always remained, on average, around 30-35% for previous energy bonuses, and with a similar relationship also found for the most recent social water bonus (in force since 1 January 2018).

In particular, the document sets out the Authority's guidance on:

- a) The operation of the mechanisms that allow the transition from a system of social bonuses for electricity, gas and water attributed upon the request of those entitled to an automatic recognition mechanism;
- b) The definition of the information flows between the INPS and the SII Manager, and more generally the information flows between the various institutional entities and operators in the supply chain necessary for the automatic assignment of bonuses to those entitled, and the roles of the different entities in the automatic system of recognising the discounts;
- c) The definition of the application procedures for the disbursement of fees.

The deadline for interested parties to submit their comments was set at 9 July 2020.

Arrears

Emergency regulation on arrears: Resolution 60/2020/R/Com of 12 March 2020 “First urgent measures and establishment of an extraordinary management account for the COVID-19 epidemiological emergency”, **Resolution 75/2020/R/Com of 17 March 2020** “Urgent provisions on electricity, gas, water and integrated waste cycle management, including differentiated, urban and similar, for the municipalities of BERTONICO, CASALPUSTERLENGO, CASTELGERUNDO, CASTIGLIONE D'ADDA, CODOGNO, FOMBIO, MALEO, SAN FIORANO, SOMAGLIA, NEWFOUNDLAND PASSERINI, VÒ”, **Resolution 117/2020/R/COM of 2 April 2020** “Further urgent measures for the COVID-19 epidemiological emergency to protect customers and end users: amendments and additions to the Authority's resolution 60/2020/R/Com of 12 March 2020”, **Resolution 124/2020/R/Com of 13 April 2020** “Extension of urgent measures for the COVID-19 epidemiological emergency to protect customers and end users: amendments to the Authority's resolution 60/2020/R/Com of 12 March 2020”, **Resolution 148/2020/R/COM of 30 April 2020** “Further extension of urgent measures for the COVID-19 epidemiological emergency to protect customers and end-users: amendments to Authority Resolution 60/2020/R/Com”

Resolution 60/20, the first urgent measure issued in the matter of arrears in compliance with the Italian Ministerial Decree of 9 March 2020, establishes the following:

TEMPORARY NON-APPLICATION OF THE RULES ON CREDIT PROTECTION

Between 10 March and 3 April 2020 (period of validity of the Italian Ministerial Decree of 9 March 2020), the credit protection rules for non-performance of payment obligations relating to bills that had expired on 10 March 2020 shall not apply. The non-application is extended to types of domestic use and other uses other than domestic, as defined in the TICS. During this period, the operator cannot therefore suspend service due to late payment (nor limit and/or deactivate the water supply). If the operator has already suspended service, it must promptly reactivate the suspended supply. In cases of arrears outstanding as of 10 March, the regulations referred to in the REMSI are again applicable as of 4 April. To this end, operators are required to send again the notice of formal notice referred to in article 4 of the REMSI before carrying out interventions to limit, suspend and/or deactivate the water supply.

ESTABLISHMENT OF THE COVID-19 EMERGENCY ACCOUNT

An extraordinary management account has been established with CSEA to ensure the financing of initiatives in support of electricity, gas and water sector end-users related to the COVID-19 epidemiological emergency. The Fund may use the stocks available in the other management accounts for an amount of up to € 1 billion, without prejudice to the need to ensure the regular management of payments relating to the purposes for which the management accounts were established.

Apart from **Resolution 75/2020**, which provides for special breaks for accounts in the so-called "red zone", including the suspension of the payment terms of bills and the non-application of credit protection regulations until 30 April 2020, the subsequent measures on arrears were then extended until 13 April (**Resolution 117/20**), and later to 3 May (Resolution 124/20), and finally **17 May** only for domestic users (**Resolution 148/20**) the blocking of procedures for the suspension of water supplies.

Resolution 124/20 introduces **new criteria for the repayment of amounts due** by granting access to an interest-free instalment plan to end users who have not been able to meet the payment of bills and whose ordinary payment terms fall within the period of validity of government containment measures, or that were issued in that period, or who account for their consumption. **Resolution 148/20** also extends to 17 May – for domestic customers only – the blocking of supply suspension procedures, also establishing for non-domestic users the possibility for the operator (after verification by the AGB) to offer payments in instalments (without interest) for bills due or issued by 31 May at the latest.

Resolution 221/2020/R/idr of 16 June 2020 "Amendments to the regulation of arrears in the integrated water service, in implementation of the provision referred to in article 1, paragraph 291 of Italian Law no. 160 of 27 December 2019"

The measure updates the REMSI in light of the provisions introduced by article 1, paragraph 291 of Italian Law no. 160/2019, with particular reference to the methods and times for notifying the user about the start of the procedures for limiting, suspending or deactivating the supply in the event of failure to pay the amounts due, for which the new legislation envisages a notice of not less than 40 days. In particular, the methods are defined for sending the payment reminder, which can only be sent by registered letter with return receipt or certified email, and specifies that the deadline by which the end user is required to pay the unpaid payments, to be indicated in the notice of formal notice, must be calculated from the receipt by the user of the payment reminder and may not be less than 40 calendar days. The new provisions take effect from the date of publication of the resolution (17 June 2020).

Water works guarantee fund

Resolution 8/2020/R/idr of 21 January 2020 "definition of the arrangements for managing the water works guarantee fund"

ARERA regulates the management and use of the Guarantee Fund established in article 58 of Italian Law 221/2015, in line with the provisions of the Italian Ministerial Decree of 30 May 2019, and taking into account the provisions of the Decree of the Ministry of Economy and Finance of 19 November 2019, specifying the requirements and conditions for access to the guarantee and defining adequate reporting, communication and monitoring obligations in connection with the issue of the guarantee. The coverage of the costs of managing the Fund (replenished by the UI4 component established by MTI-3) is also regulated, and as provided for in article 9 of the Italian Ministerial Decree of 30 May 2019 a Risk Assessment Committee is established at the CSEA with the tasks of assessing and analysing the risks and operating procedures of the Fund. The priority interventions covered by the guarantee consist of the works included in the National Plan for projects in the water sector, for the portion not financed, the projects (not yet financed and started and if not included in the National Plan) related to the adaptation to technical quality standards that meet a predetermined set of characteristics, and projects concerning small dams. The resolution also details the eligible financing transactions, such as medium- to long-term financing contracts and financial instruments of different types.

Emergency regulation of the Guarantee Fund and the National Plan for Projects: Notification 136/2020/I/Com of 23 April 2020 "Reporting to Parliament and the Government on measures to support investments and protect end-users of the integrated waste management service and the integrated water service and end-users of electricity and natural gas as a result of the COVID-19 epidemiological emergency"

With this notification, the Authority invites the adoption of measures to strengthen instruments already envisaged by the law to stimulate investments in infrastructure:

- Strengthening of the "Guarantee Fund for projects aimed at upgrading water infrastructure" by means of a regulatory intervention that, in addition to giving the Authority a mandate for simplified management of the Fund on aspects within its competence, complements the resources available with an allocation of € 100 million (charged to public finances, for the years 2020-2021) in order to increase the range of feasible projects and the leverage effect on investments.
- Allocation of additional State resources for the aqueducts section of the National Water Plan compared with the current € 40 million/year planned up until 2028.

Metering

Emergency regulation on metering: Resolution **235/2020/R/idr of 23 June 2020** “Adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency”

The measure introduces **specific waivers** limited to the year 2020 with regard to the obligations to acquire metering data pursuant to TIMSII, providing that:

- a) The operator is required to make **at least one attempt to collect** metering data from end users, regardless of the relative annual average consumption, and that for this year the provisions relating to the minimum frequency of collection attempts (paragraph 7.2) and subsequent attempts (paragraph 7.3, lett. i) do not apply;
- b) A reading communicated via **self-reporting** and validated by the operator fulfils the obligation of a collection attempt;
- c) For the year 2021, the **Ca coefficient** (average annual consumption) is conventionally set equal to the value determined in the year 2019.

Tariff segmentation - Industrial wastewater

Emergency regulation on metering: Resolution **235/2020/R/idr of 23 June 2020** “Adoption of urgent measures in the integrated water service, in light of the COVID-19 emergency”

With this measure, as an exception to paragraph 27.4 of the TICSII, the Authority established for 2020 only that the operator is required to make at least **one attempt to collect data on the volume discharged** – whether detected with a specific meter at the point of discharge, or determined on the basis of the values taken from the aqueduct – regardless of the annual volumes of wastewater resulting from the billing issued for the most recent calendar year. Moreover, for the year 2020, notwithstanding the provisions of paragraph 28.3 of the TICSII, the operator is required to carry out at least **one analysis of industrial wastewater** in order to identify the concentrations of the main and specific pollutants to be used in the tariff formula, regardless of the volumes discharged, without prejudice to the provision of a minimum number of analyses of industrial waste with no hazardous substances equal to zero in cases of discharged volume not exceeding 15 m³/day and not exceeding 3,000 m³/year. The use of waivers should take into account the necessary checks to be carried out in accordance with the recommendations of the Istituto Superiore di Sanità for the prevention of the spread of the COVID-19 virus.

Unbundling

Bulletin dated 11 June 2020 “Collection of the separate financial statements for the 2019 financial year pursuant to resolution 24 March 2016, 137/2016/rlcom”

The bulletin announces the opening of the 2019 edition of the collection of the separate financial statements drawn up in accordance with the rules on unbundled accounting, covering all operators carrying out one or more of the activities referred to in paragraph 4.1 of the Integrated Accounting Unbundling Act (TIUC), including all operators of the integrated water service and multiutilities. The deadlines for the submission of the separate financial statements from the date of opening of the collection if later than the date of approval of the financial statements or, in the absence thereof, of the closing of the financial year: if the financial statements are approved at a later date, the deadlines start from the date of approval. Collection will be suspended in the period from 8 to 16 August, during which the deadlines set by the TIUC for submitting the information are considered suspended.

Seismic events

Resolution 54/2020/R/com of 3 March 2020 “Amendments and additions to Authority resolutions 810/2016/R/Com, 252/2017/R/Com and 587/2018/R/Com on electricity, gas and integrated water services in support of the populations affected by the earthquakes of 24 August 2016 and subsequent events in implementation of Italian Decree-Law 123/2019”

The measure implements the provisions of Italian Decree-Law 123/2019, as converted by Italian Law 156/2019, extending until 31 December 2020 the deadline for the suspension of payments for the supply of electricity, gas and integrated water services for users of inaccessible areas in Central Italy and the Municipalities of Casamicciola Terme, Lacco Ameno and Forio and postponing to a subsequent measure the definition of the operating procedures for the recognition of the discounts.

Regarding the adjustment of the advances to CSEA, the new article 32.4 of Resolution 252/17 provides that the operators of the IWS that have made use of advances from CSEA for the amounts relating bills whose payment deadlines have been suspended shall by March 2024 (previously March 2022) adjust and return to CSEA any amounts accrued even if not collected by the end users

Consumer protection

With regard to consumer protection, in the first half of 2020 ARERA's intense focus on studying and presenting data relating to both the activities of consumer branches and the Conciliation Service was noted. In addition, following the COVID-19 emergency, the deadlines established by the Integrated Conciliation Text (TICO) were postponed.

Emergency regulation of consumer protection Resolution 59/2020/R/com of 12 March 2020 “Deferment of the deadlines envisaged by the regulation for environmental and energy services and first quality measures in light of the COVID-19 emergency”, **Resolution 74/2020/S/com** of 17 March 2020 “Urgent provisions regarding the deadlines of the sanctioning procedures before the Regulatory Authority for Energy Networks and Environment”

Article 5 of the aforementioned resolution 59/20 concerning the deferment of the TICO deadlines establishes that the maximum deadline for **concluding conciliation proceedings** before the ARERA Conciliation Service is set at **180 calendar days** (instead of the 90 envisaged in art. 3.3 TICO) from the date of submission of the full conciliation request.

This deadline applies to all proceedings initiated before the Conciliation Service in accordance with the state of emergency declared throughout the country, as well as to proceedings pending before the Service on the date of publication of the resolution itself.

Resolution 74/20 postpones to 31 May 2020 the deadlines of the **investigation phase and the decision-making phase** of proceedings that have already been initiated or will be initiated after the publication of the resolution. 5 June 2020 is established as the new deadline for the fulfilment of the decision-making phase that expired in the period between 23 February and 18 March (date of publication of the resolution).

Resolution 186/2020/R/idr of 26 May 2020 "Additions and amendments to Authority resolution 547/2019/R/ldr, in implementation of the provision referred to in article 1, paragraph 295 of Italian Law no. 160 of 27 December 2019 on billing of amounts relating to consumption dating back more than two years"

The 2018 Budget Law (art. 1, paragraphs 4 and 5) had established for contracts for the supply of water services to domestic users, micro-enterprises and professionals that the right to the fee due to the water operator was time-limited to two years (and no longer to five) unless the failure or erroneous collection of consumption data resulted from the ascertained responsibility of the user. Based on this legislation, ARERA had approved Resolution 547/2019 which, in its Annex B, manages in detail the methods and operating times relating to the billing of consumption for periods exceeding two years.

Article 1, paragraph 295 of the 2020 Budget Law (Italian Law no. 160 of 27 December 2019) repealed art. 1, paragraph 5 of the 2018 Budget Law, setting the limitation period to two years even for cases where the user is responsible for failed or erroneous collection of consumption data.

With the resolution in question, ARERA made changes and additions by adapting the regulatory framework to current legislation. In particular, amendments were made to Annex B of Resolution 547/2019/R/idr, updating the text of the communication to be sent to the user in art. 3 and repealing the entire art. 4 relating to the obligations of the operator in the case of a billing delay attributable to the responsibility of the end user. Moreover, in order to make the current regulatory framework consistent with the limitations of the new legislation, amendments were made to the RQSII (art. 50.2 ter, written complaints), the REMSI (art. 4 on the information provided in the notice procedure) and Annex A of Resolution 586/2012 (art. 6 on the information to be reported on the bill relating to payments, arrears and security deposit). The provisions take effect with regard to bills issued in the first billing cycle following the date of publication of the resolution (i.e. after 28 May 2020).

Tariff determination OTA 2 Central Lazio - Rome and OTA 5 Frosinone and other significant events at the OTA level

Pending the definition of the tariff for the third regulatory period (four-year period 2020-2023) pursuant to ARERA Resolution 580/2019/R/idr (MTI-3), whose deadlines for submission to ARERA by the AGB were extended to 31 July 2020 by Resolution 235/20, Acea Ato 2 temporarily applied the tariff for the year 2019 until March 2020, as approved by ARERA Resolution 572/2018/R/idr.

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 in fact initiated with effect from 1 January 2019. This application is also necessary to allow the census of the number of members of each resident household of 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) will be 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 actual number of people will be retroactive to 1 January 2019 for users who have made this information available by February 2020, while the data acquired subsequently will take effect from the date of communication.

With regard to the tariff for the year 2020, to be applied with effect from 1 January 2020, pending final approval of the fees for the third regulatory period, pursuant to paragraph 7.2 letter a) of ARERA Resolution 580/2019/R/idr, the 2019 tariff, adapted to the provisions of the TICSI, will be updated on the basis of the tariff multiplier resulting from the Economic and Financial Plan already approved under the current tariff provisions.

The differences arising from the application of the provisional tariffs will be adjusted.

Moreover, of note is the update pursuant to ARERA resolution 499/2019/R/COM of the Implementation Regulations for the **2019 supplementary water bonus** of OTA 2 Central Lazio Rome approved by resolution no. 2-19 of the Conference of Mayors of 15/04/2019. The new provisions are valid for the year 2020.

Those entitled are direct users (holders of a residential household account) and indirect users (household users in an apartment complex) with the following requirements:

- a. ISEE indicator up to € 13,939.11 and household of up to 3 members;
- b. ISEE indicator up to € 15,989.46 and household with 4 members;
- c. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Under their own responsibility and based on specific certification by the relevant offices, the Municipal Administrations also have the power to authorise the supply for individual users in situations of proven particular economic/social hardship, increasing the ISEE threshold for admission for this specific case. The amount of the "local" bonus, consisting of the payment of a one-off annual contribution recognised in the bill (in the case of indirect users in the apartment building utility bill), is calculated as the expenditure corresponding to the fixed and variable fees for water, sewerage and purification for a consumption of up to 40 cubic metres per year for each member of the household, for direct and indirect users with ISEE

up to € 8,265 and 20 cubic metres per year for each member of the household for other eligible users. The bonus is valid for one year and is paid in a single payment, normally within 6 months from the date of submission of the application (which must be submitted by 31/12/2019).

Regarding Acea Ato 5, despite the COVID-19 emergency, meetings are being held on a weekly basis between the Operator and the Operational Technical Secretariat of the AGB aimed at defining the requirements necessary to arrive at the preparation of a Shared Rate proposal that contains the recognition of the various extra costs incurred by the Company.

Pending the adoption of the new tariff structure, with effect from 1 January 2020 Acea Ato 5 applied a tariff increase of 7.7% in application of Resolution 580/2019/R/idr. The differences arising from the application of the provisional tariffs will be adjusted.

Update on appeals against the ARERA tariff regulation

In 2013 Acea Ato 2 filed an appeal against Resolution 585/2012 (MTT) and subsequent resolutions that amended and supplemented the contents (Resolutions 88/2013, 73/2013 and 459/2013). The appeal was partially upheld by the regional administrative court of Lombardy 2528/2014, against which both Acea Ato 2 and ARERA have appealed.

In the public hearing held on 29 September 2015, the suspension of the pending judgement and the postponement of the decision to a later date following the outcome of the technical office consultancy arranged for the appeals proposed in 2014 by Codacons and the associations Acqua Bene Comune and Federconsumatori, considering the existence of a relationship of dependence-consequentiality between the decision of the appeal by ARERA and the decision on appeals promoted by the Consumer Associations, focusing in particular on the tariff component relating to the financial charges of the IWS manager, i.e. on the formulas and parameters implemented in art. 18 of Annex A of Resolution ARERA no. 585/2012 of 28 December 2012 (MTT), considered as a reintroduction of the criterion of "adequacy of invested capital" that had been eliminated by the outcome of the 2011 referendum.

The expert committee, appointed in October 2015, filed the report on 15 June 2016, concluding that the formulas and parameters aimed at calculating the interest rate of reference are considered reliable and reasonable in terms of national and international regulations and the component of risk coverage considered in the Resolution.

On 15 December 2016 the final hearing of the proceedings was held and on 26 May 2017 sentence no. 2481/2017 was published with which the Council of State, accepting the conclusions of the panel of experts, reaffirmed the full legitimacy of the tariff methodology adopted by ARERA. As a result, it rejected the Codacons and Acqua Bene Comune/Federconsumatori appeals mentioned above, with consequent confirmation of the contested sentences. The subsequent hearing before the Council of State was set for 20 September 2018.

Following the hearing, held as planned on the scheduled date, the Council postponed the discussion of the judgement, inviting the parties to file some briefs (to be presented by 19 December 2018) to make sure that there were no delays in resuming the appeal proceedings. At the hearing in question, however, the judge had not set the date of referral, which was instead established only in the early days of 2019. At the hearing held on 13 June 2019, part of the grounds for appeal were waived and the Council of State ordered the acquisition of the expert's report submitted by the aforementioned parties (Codacons, Acqua Bene Comune, Federconsumatori) in order to submit it to the parties for oral arguments. The next hearing was set for 2 April 2020. 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 TAR 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 Chairman. In application of art. 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 February 2020, Acea Ato 2 also challenged Resolution 580/2019/R/idr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are Acea Ato 5, Acea Molise Srl and GESESA (which did not previously challenge the resolutions relating to MTT, MTI and MTI-2).

In application of art. 84 of Italian Decree Law 18/2020 (suspension of procedural deadlines for COVID-19) the procedural deadlines have been suspended.

The regulatory activity of the Lazio Region in terms of territorial planning and governance of the Integrated Water Service

Of particular interest for the six-month period under review is the identification at a regional level of new areas vulnerable to nitrates of an agricultural origin (Zvn) pursuant to art. 92 of Italian Legislative Decree 152/2006 and Nitrates Directive 91/676/EEC. The identification of areas in which to limit or exclude the continuous or temporary use of plant protection products aims to protect water resources and other sectors relevant for health and environmental protection from possible contamination. The addition of the new vulnerable areas approved with Regional Council Decree 25/2020 (published in BUR LAZIO - no. 14 of 18/02/2020) adds three new Zvn to those approved with Regional Council Decree 767/2004, of which one, Tre Denari, falls within the territory managed by Acea Ato 2. The Regional Council postponed the definition of the action programmes to be implemented in the new vulnerable areas to a later measure.

On the other hand, we are awaiting the developments regarding the **redefinition of the ATOBIs** (Optimal Territorial Areas of the River Basin) envisaged by Lazio Regional Decree 218/18. It should be recalled in this regard that at the Conference of Mayors on 11 November 2019 the process of identifying the representatives of OTA 2 - Lazio for the Regional Institutional Consultation Committee was completed, appointing the fifth and last of them.

Electrical Regulation

2020 Budget Law

With regard to the energy market, the **2020 Budget Law no. 160 of 27 December 2019** introduced the following changes as from 1 January 2020:

- art. 1, paragraph 5 of the 2018 Budget Law was repealed, which provided that the provisions on the two-year limitation period should not apply in the event of failure or erroneous collection of consumption data resulting from the ascertained liability of the user. With resolution 184/2020/R/com, the Authority adapted the sector regulations to the provisions established by art. 1, paragraph 295 of the 2020 Budget Law, providing for the modification of the sentence to be included in the annex to the bill containing amounts subject to limitations;
- In case of non-payment of bills, utilities operators have an obligation to send customers notice of non-payment and notice of suspension of supply with advance notice of not less than 40 days, to be sent by registered letter. In order to comply with this obligation, Resolution **219/2020/R/com** was published with which the Authority amended the integrated texts on electricity and gas arrears (TIMG and TIMOE) regarding the method of sending the formal notice and the timing to suspend the supply due to arrears. More specifically, on the issue of the formal notice of customers to be disconnected, the Authority introduced the necessary amendments to guarantee the end customer the protection of the 40 days notice envisaged, this period starting from the date of service of the formal notice sent by registered letter with return receipt or certified email. This same resolution therefore eliminated the shortened notice procedure in the case of a customer already in default as it no longer complies with the provisions of the Budget Law 2020. Furthermore, in order to protect sellers from the increased exposure due to the extension of the deadlines for the notice, the Authority modified the compensation system, establishing that starting from the claims sent from 1 October 2020 the Cmor compensation is also recognised at medium voltage points and calculated considering one extra month of possible credit exposure;
- In case of improper conduct by the seller in terms of billing (violations relating to the methods of measuring consumption, execution of adjustments or billing, charges of unjustified expenses or costs for consumption, services, goods not due) that has been ascertained by the competent authority or "duly documented by means of a special declaration, presented autonomously by the customer, even electronically", the seller is required to:
 - Reimburse any amounts already paid by the customer;
 - Pay a penalty equal to 10% of the amount in dispute and not due, and in any case not less than €100, within 15 days from the ascertainment/positive response to the customer's declaration "through, at the user's choice, offsets in subsequent billings or a specific payment".

COVID-19 health emergency

Following the state of emergency relating to the health risk declared by resolution of the Council of Ministers of 31 January 2020, with resolution **60/2020/R/COM** the Authority ordered:

- For all low voltage electricity customers and for all gas customers with consumption below 200,000 Sm, the suspension until 3 April 2020 of the credit protection regulations for non-performance in payment for bills that had expired on 10 March 2020;
- The establishment of a COVID-19 emergency account with CSEA to ensure the financing of initiatives in support of end customers. For the purpose of replenishing the account, the CSEA may use the stocks available in the other management accounts for an amount of up to € 1 billion, subsequently increased to € 1.5 billion by Resolution **95/2020/R/com**.

With subsequent Resolution **75/2020/R/com**, in implementation of Italian Decree-Law 9/2020, in the annex to the same decree the Authority ordered in favour of users located in the 11 municipalities identified as "red zones":

- The suspension of the payment terms of bills issued or to be issued until 30 April 2020 and of any invoice related to consumption for the period between the entry into force of Italian Decree-Law 9/20 (2 March 2020) and 30 April 2020;
- The suspension of credit protection until 30 April for non-performance of payment obligations relating to bills or payment notices that had expired on the date of entry into force of Italian Decree-Law 9/20;
- The automatic payment by instalments of the amounts subject to suspension.

Furthermore, in order to ensure the continuity of the disbursement of the social bonus to the citizens who are entitled to it, with Resolution **76/2020/R/com** the Authority ordered the postponement of the deadline by which customers can request its renewal, providing that for the period from 1 March to 30 April those who renew the request for bonus after the original deadline envisaged by the regulation, but in any case within 60 days after the end of the aforementioned suspension period, the continuity of the bonuses is guaranteed with retroactive validity from the original expiry date and for a period of 12 months.

In parallel with the actions taken on behalf of final customers, the Authority also adapted regulations to the emergency situation, specifically:

- Resolution **59/2020/R/com** provides for the extension of a series of information obligations for sales companies, and clarified the application of regulations in the event of non-compliance with specific and general quality standards due to force majeure;
- Resolution **74/2020/R/com** suspended until 31 May 2020 the deadlines of the investigation phase and the decision-making phase of proceedings that had already been initiated or would be initiated after the publication of said resolution, and granted the new deadline of 5 June 2020 with respect to the fulfilment of the decision-making phase that expired in the period between 23 February 2020 and the date of publication of the resolution itself;

Moreover, with Resolution **2/2020 - DACU DMRT**, the Authority postponed the deadlines envisaged by the regulation for the communication of data referred to in articles 30, 32, 36 of the TIQV and 19 of the TIRV. Specifically, it deferred to 30 June 2020 the communication of the information requirements regarding the commercial quality of sales and telephone services for the year 2019.

With Resolution **116/2020/R/com**, the Authority took action on the provision of electricity transport and natural gas distribution services, establishing that:

- If at least 70% of the total turnover has been paid with reference to low voltage withdrawal points, the regulation of defaults related to payment for transport bills due in April 2020 is suspended and the terms of the reminder or warning are extended by an additional 15 working days for transport bills due between 10 and 31 March 2020;
- The suspension of the enforcement of the guarantees provided, or, in the absence of a guarantee provided, warnings to comply, if at least 80% of the amount of the distribution invoices due in April 2020 have been paid;
- The phase of the default procedure in place on the date of entry into force of the resolution and relating to payments due from 10 March 2020 is extended by 15 working days;
- In the electricity sector, in order to meet the requirement of regular payments, with regard to the guarantees provided, the distributor does not take into account delays for transport invoices due in April 2020 (if at least 70% of turnover is paid with regard to low voltage withdrawal points). Furthermore, the user is required to renew the guarantees at the latest by the end of the third month prior to the expiry of the guarantee. In cases of request for an increase/presentation of a guarantee, the terms are extended by an additional 15 working days;
- In the gas sector, the deadline for adjusting the financial guarantee for loss of rating requirements or due to an increase in redelivery points is extended by an additional 15 working days;
- In the event of a decision to downgrade ratings as a result of the current emergency, the minimum BB+ level of Standard&Poor's Corporation or Ba1 of Moody's Investor Service will be provisionally recognised, and for the electricity sector the BB+ level of Fitch Rating will be assumed, or in any case equivalent levels;
- Distribution companies have the right to pay only a portion of the general system charges actually collected: 80% of the turnover relating to low voltage withdrawal points for the electricity sector and 90% of the total turnover for gas.

With subsequent Resolution **117/2020/R/com**, the Authority amended and supplemented Resolution 60/2020/R/com, ordering:

- The extension until 13 April 2020 of the blocking of all possible procedures for the suspension of electricity and gas supplies due to late payment initiated by the previous resolution;
- The obligation to offer the payment by instalments of the amounts subject to formal notice for those using standard services, those with PLACET contracts as well as facilitations for sending the bill in electronic format;
- That operators have the right to send bills even in electronic format to those customers/users who have made their email or mobile phone number available, indicating the payment methods and communicating the obligation to offer them if they choose to activate both an automatic debit mode and the method of issuing bills in electronic format.

Finally, with Resolution **121/2020/R/eel**, the Authority amended – at least temporarily and until 30 June 2020 – the current regulation of imbalances with the intention of mitigating the increased negative effects on operators of imbalances that occurred during this emergency, an emergency that caused both a drastic fall in electricity consumption and a lasting increase in scheduling difficulties for dispatching users due to a discontinuous resumption of operations not manageable through normal forecasting. The Authority established that operators can submit their comments by 15 May 2020. The Acea Group presented its observations noting that the methods of valuing the imbalances envisaged by the resolution (cap and floor) could create distortions in the market due to the different method of calculating the two range values, proposing a deductible mechanism instead. With Resolution 207/2020/R/COM, the Authority confirmed the transitional valuation of the current imbalances during the COVID-19 epidemiological emergency envisaged by Resolution 121/2020/R/eel for the

period from 10 March 2020 to 30 June 2020, considering these forecasts sufficient for the relevant purposes and therefore rejecting all comments on Resolution 121/2020 received from operators.

With **Resolution 3/2020 DMRT**, the Authority postponed the deadlines envisaged by the regulation for the communication of data referred to in the TIMR, the TIF and Resolutions 100/2016/R/com and 555/2017/R/com for the purpose of combating and containing the spread of the COVID-19 virus.

Subsequently, with Resolution **124/2020/R/com** the Authority further amended Resolution 60/2020/R/com, again extending the procedures for the suspension of electricity, gas and water supplies until 3 May 2020, in line with the Italian Ministerial Decree of 10 April 2020. The deadlines for the identification of invoices that will be compulsorily subject to instalments pursuant to previous Resolution 117 were also adjusted in order to take into account the extension.

With resolution **140/2020/R/COM** the Authority extended the urgent provisions referred to in resolution 76/2020/R/com of the Authority on the electricity bonus, gas bonus and social water bonus: for consumers whose bonus expires in the period from 1 March to 31 May 2020, the option is given to renew the application for the bonus beyond the original deadline, extending it until 31 July 2020. Once the application is accepted, the bonus will be guaranteed continuously and retroactively from the original expiry. The renewal has the usual total duration of 12 months.

With Resolution **148/2020/R/COM**, the Authority amended Resolution 60/2020/R/com, extending until 17 May – for domestic electricity customers only and for domestic gas customers with consumption not exceeding 200,000 cubic metres/year – the measures with which it had established the blocking of the suspension of electricity, gas and water supplies.

On the same date, with resolution **149/2020/R/COM** the Authority took action by amending resolution 116/2020/R/COM, extending until 1 June the period of suspension of protection against user defaults with regard to transport invoices, if at least 70% of total turnover has been paid for low voltage withdrawal points. The same suspension period was established for gas users as long as they have paid at least 80% of the invoiced amount. Moreover, the measure provides that interest shall not apply in the case of late payment for the period subject to suspension.

With Resolution **177/2020/R/eel**, the Authority:

- Deferred to 15 June the deadline for the publication of the detailed plans of the mass phase of H2 2020 and to 15 December 2020 for H1 2021.
- Set 15 September 2020 as the deadline for the request for admission to the recognition of investments for 2G smart metering installation plans to be launched in 2021.

Resolution **213/2020/R/com** also provides for a series of temporary exceptions for the year 2020 with respect to the installation plans for 2G smart metering systems in view of the epidemiological emergency and its impact on the replacement of meters.

On 19 May 2020 the **Relaunch Decree Law (Italian Decree Law no. 34 of 19 May 2020)** was published and entered into force on that same day. The law included measures affecting the following areas:

- Charges for electricity bills for non-domestic low voltage customers with power greater than 3 Kw, providing for the reduction of the expenditure related to the electricity portion by applying only a reduced fixed amount for the months of May, June and July 2020
- Electricity distribution tariffs and metering and general system charges, providing for the transitional redetermination of those tariffs to be applied between 1 May and 31 July 2020.

In implementation of the Relaunch Decree Law, Resolution **190/20/R/eel** was published on the reduction of tariffs for low voltage non-domestic users. With this document, the Authority established that:

- For the months of May, June and July only, the reduction of the metered distribution tariffs and general charges (asos and arim) for other LV users;
- If bills have already been issued for May, any adjustments due pursuant to the resolution must be made within the second subsequent bill;
- For each month of the period of reference, BTA6 users are granted a refund if the maximum power withdrawn in the month does not exceed 2.0 kW. This refund is granted by the distribution companies to the sales companies by 30 September 2020 and by the latter to customers by 30 November 2020;

Subsequently, with Resolution **192/2020/R/COM** the Authority further extended the urgent measures on the provision of electricity transport and natural gas distribution services by amending and updating Resolution 116/2020/R/com, in turn extended and updated with **149/2020/R/com**. Specifically:

- With regard to electricity transmission bills due in June 2020 and gas distribution bills due after 1 June and until 30 June, the payment threshold for which the suspension of default procedures by distributors is envisaged has been raised: for the electricity sector, (from 70%) to at least 90% of the LV points billed, and for the gas sector (from 80%) to at least 90% of the amount billed for gas;
- Adjusted the amounts that the distribution companies in turn pay to the system to the new thresholds;
- The provisions on ratings and regularity of payments were extended until 30 June.

With subsequent Resolution **248/2020/R/com** which followed DCO 193/2020/R/com, the Authority made provisions for the final payment of any amounts only partially paid as a result of Resolution 116/2020/R/com as amended. In particular, the Authority ordered the seller to settle the payments partially made for the transport invoices due in April, May and June in a single payment by September 2020, or in three monthly interest-free instalments due from September. In that same resolution, the Authority did not confirm the proposal to anticipate the previous General System Charges Mechanism in favour of the sellers because the positions of the various operators were too divergent during consultations and therefore it decided to resume the work of the Operational Table established at the beginning of 2020 in a more expeditious

manner. Finally, with regard to the guarantees of the credit rating, the Authority ordered that the rating of the user (or the parent company) continue for a further 12 months from the downgrade if the rating – downgraded as a result of the health emergency – is at least BB+ or equivalent.

Extension of the social bonus to receivers of guaranteed minimum income and possible future interventions

With Resolution **165/2019/R/com**, the Authority adapted the TIBEG – the integrated text of reference on the subject of social bonuses – to the provisions of Italian Legislative Decree no. 4/19, providing that the recipients of guaranteed minimum income and a guaranteed minimum pension, introduced by that Decree, be immediately allowed on a transitional basis to access the electricity and gas bonus for financial hardship because they meet the qualifications for applying for it. At the same time, the references to Inclusion Income (II) in the TIBEG have been removed as they were superseded by guaranteed minimum income and guaranteed minimum pensions.

The Authority also considers it appropriate to undertake in-depth studies with government entities in order to verify the possible advisability of introducing a special programme for those receiving guaranteed minimum income or guaranteed minimum pensions.

On the subject of social bonuses, the Authority also expressed its opinion with resolution **279/2019/II/com** and with the report to the Parliament and the Government **280/2019/II/com** stressing that the use of this discount is not currently particularly widespread since the relationship between potential recipients and actual electricity and gas receivers is around 30-35%, despite situations of serious economic difficulties in the country.

As desired by the Authority, with Italian Decree-Law 124/19 automatic recognition of the social bonus was established for those entitled from 2021, and with subsequent Resolution **14/2020/R/com** and **DCO 204/2020/R/com** the Authority initiated the procedure for defining the implementation of the provisions of the decree-law.

Prior verification of the annual average power value with reference to switching requests

With Resolution no. **272/2019/R/eel**, the Authority published the functional provisions for the extension of the prior verification of the Annual Average Power (AAP) value with reference to the switching requests submitted by each dispatching user. In particular, the resolution provides that from April 2020 the AAP limit will be calculated after which each dispatching user will have to adjust the financial guarantees in relation to a greater number of points served. The provision is aimed at minimising the risk to the system by preventing DUs from acquiring large quantities of customers without updating its related financial coverage with respect to Terna. The resolution therefore provides that switching is subject to verification of the maximum AAP (with a tolerance threshold of 10% introduced only in the first application phase), which, in the event of a negative outcome, would lead to the cancellation of the request. If a switching request for multiple withdrawal points results in the threshold value being exceeded, the IIS will accept the requests in the order they are presented until the value allowed to the user is reached.

The Authority also envisaged a subsequent measure to extend this mechanism to the transport contract between electricity distributors and sellers.

With subsequent resolution **494/2019/R/eel**, the Authority then approved the methodology proposed by Terna for determining the maximum value of the Annual Average Power (max AAP) that each user of the withdrawal dispatching can have within their dispatching contract on the basis of the guarantees provided to Terna. This maximum value is determined every day and made available to each withdrawal dispatching user starting from the month of January 2020 in order to allow users a preliminary verification of the adequacy and possible calibration of the guarantees provided to Terna. For the Pre-Check flows, the resolution also introduced the AAP field for the point being examined.

With the bulletin of 2 April 2020, accepting the request for extension submitted by two associations of dispatching users, the Authority ordered that the IIS not carry out the verification of the AAP with reference to switching requests with effect prior to 1 June 2020.

Deferral of completion of general reform of charges for domestic customers

After the deferral to 1 January 2019 established with Resolution **867/2017/R/eel**, with subsequent resolution **626/2018/R/eel** the Authority further deferred the last phase of the tariff reform for general charges of domestic customers to 2020. Specifically, the Authority established:

- General charges: for 2019 the two-tier structure in force in 2018 remains in force for domestic customers (up to 1,800 kWh/year and over 1,800 kWh/year) which was definitively superseded in 2020;
- $DISP_{LV}$: on 1 January 2019 the portion of euro/kWh by tiers was eliminated for resident domestic customers, so these customers have the same single structure (euro/POD) of non-resident customers;
- For customers participating in tariff testing for heat pumps, the tariff structure already in force in 2018 remains confirmed (general costs without groups and $DIST_{LV}$ with single structure for residents and otherwise).

With this action, the Authority sought to minimise the effects due to the increase in general charges (resolution **711/2018/R/com**), which had been partially reduced in the last two quarters of 2018 to limit the increases in electricity expenditures.

Restoration of financial compensation for arrears related to fraudulent withdrawals

With resolution **568/2018/R/eel** the Authority initiated a process to modify the mechanism in question in order to better incentivise the collection of receivables and to better manage some timing, and therefore suspended the regulation governing the collections mechanism for all arrears deriving from fraudulent withdrawals (16bis of the TIV).

Following **DCO 49/2019**, with subsequent resolution **119/2019/R/eel** the Authority reinstated the rule governing the mechanism, introducing new provisions.

Among the primary developments, with regard to sales:

- the introduction of a reduction in the amounts compensated through the mechanism if bills containing fraudulent withdrawals are issued more than 45 days (90 days for applications submitted in 2019 on issued in 2016 and in 2020 on issued in 2017) from the date of receipt of the measurement data reconstructed by the distributing company (-10% for each month of delay, up to a maximum of -50%);
- the obligation to issue a separate bill in almost full compliance with the provisions of Bill 2.0 regarding the availability of details and methods of issue.

With the same measure, the Authority has therefore specified the timing related to the application to be submitted in 2019 (by September 30, 2019) and regulated the case of fraudulent withdrawals in the absence of a contract, providing that:

- within 3 working days prior to the provision of fraudulent consumption data, the distributor transmits to the IIS (Integrated Information System) the update flow of the OCR for activation following fraudulent withdrawals that contains the identification data of the person to whom fraudulent withdrawals are billed (for this flow, which will come into force from 1 October 2019, the IIS operator has adapted the technical specifications of the OCR update "on condition");
- within one working day from the transmission referred to in the previous point, the IIS will provide the main utility provider with this flow.

Finally, the Authority postponed to a subsequent provision the adoption of measures to improve the efficiency of the management of fraudulent withdrawals by distribution companies and the regulation relating to the disconnection of withdrawal points subject to fraudulent withdrawals.

Acea Energia filed an appeal requesting the annulment of Resolution 119/2019/R/eel contesting the retroactive application of the mechanism linking the amount to be offset to the date of issuing the bill containing the reconstruction for fraudulent withdrawals also for the periods prior to the entry into force of the resolution itself (April 2019), i.e. from 2016 to March 2019 in which there were no specific billing timeframes that would affect the amount subsequently granted to the main utility provider.

Acea Energia filed an application for participation in the compensation mechanism with regard to bills issued in 2016.

With sentence no. 565, the Lombardy regional administrative court, accepting the appeal filed by Enel, annulled Resolution 119/2019/R/eel in so far as it provided for the retroactive application of the new mechanism for calculating late payment compensation for fraudulent withdrawals.

With Resolution **240/2020/R/eel**, in implementation of the provisions of the regional administrative court, the Authority amended the mechanism to include only bills issued from April 2019.

Earthquake in Central Italy

With Resolution **54/2020/R/com**, the Authority amended and supplemented previous resolutions that intervened in support of the populations affected by the earthquakes of 24 August 2016 and subsequent events. Indeed, the Authority automatically extended until the end of 2020 the suspension of the payment deadlines for bills in red zones and temporary reception areas and ordered the same extension, upon written request, for the other beneficiaries of the discounts already established by resolutions 252/2017/R/com, 810/2016/R/com and 587/2018/R/com.

Extension of the division of the relevant network into zones and revision provisions

With Resolution **386/2018/R/eel**, the Authority approved – with effect from 1 January 2019 – the proposed revision of the zoning configuration submitted by Terna and described in the new version of Annex A24 to the Network Code,

By resolution **103/2019/R/eel**, the Authority subsequently ordered the completion of the review of the zones of the Terna network, with the shift of Umbria from the Central North to the Central South and the introduction of a new Calabria zone with the elimination of the limited production hub of Rossano and the subsequent zeroing of the virtual zones. The creation of the Calabria zone will entail an increase from six to seven physical zones with an impact on the operation of the cross-border mechanism of "price coupling of regions". The Authority therefore mandated the Gme to take action to be in time for the launch scheduled for 1 January 2021. The decision to make the change in 2021 was influenced not only by the time needed for the operation, but also by the significant impact of Umbria's planned shift on the provision of the safeguard service for the Tuscany, Marche and Umbria area, which is expected in 2020.

The EU electricity market

With resolution **5/2019/R/eel** Terna was asked, in coordination with all other European Regulatory Authorities, to amend the proposal on the allocation of congestion rents for long-term transmission rights prepared pursuant to Regulation EU 2016/1719 (FCA).

The proposal, agreed to by all TSOs and transmitted by Terna, provides for: the calculation of the congestion rent on each boundary between offer areas as the difference between the revenue arising from the auctions for the allocation of long-term transmission rights on the aforementioned boundary and the remuneration guaranteed to the assignees who voluntarily return their rights; the distribution of the congestion rent on each boundary between offer areas in an equivalent manner among the TSOs involved (50%-50% sharing key); the possibility of deviating from the general rule of 50%-50% sharing key in specific cases including the presence of different ownership or investment shares among the TSOs involved.

Resolution **274/2019/R/eel** approved the methodology for the distribution of congestion rents for long-term transmission rights, in accordance with Regulation EU 2016/1719 (FCA). Therefore, it is the proposal amended by Terna according to the Authority's requests in resolution 5/2019 as described above. Among the changes made, the indication of the conditions for which it is possible to deviate from the general rule of 50%-50% sharing key and the exclusion from the approval of the

allocation coefficients, providing that publication is centralised and done by Entso-E without the need for formal approval by the Regulatory Authorities (while the general criteria with which the coefficients are determined are shown).

With resolution **7/2019/R/eel**, in coordination with the other European Regulatory Authorities involved, Terna was asked to amend the proposed method for the implementation of a Platform for the process of netting, prepared by TSOs pursuant to Regulation EU 2017/2195 (Balancing Regulation)

In coordination with the other Regulatory Authorities involved, Resolution **8/2019/R/eel** approved the proposal for a methodology for a framework for the implementation of a platform for the exchange of balancing energy from replacement reserve, prepared by TSOs pursuant to Regulation EU 2017/2195 (Balancing Regulation).

With Resolution **310/2019/R/eel**, in coordination with the other European regulatory authorities involved, the Authority asked Terna to amend the proposed methodology for the harmonisation of the main characteristics of the settlement of imbalances, in accordance with Regulation EU 2017/2195 (Balancing Regulation). Further amendments were requested with resolutions **323/2019/R/eel**,

Again for the implementation of amendments, instructions were provided by the Authority to Terna with resolutions **348-349/2019/R/eel** regarding the proposals for settlement methods between TSOs for international energy exchanges through European platforms and classification of the purposes of balancing energy offers, pursuant to Regulation EU 2017/2195 (Balancing Regulation).

With resolution **545/2019/R/eel**, in coordination with all other European Regulatory Authorities involved, the Authority provided instructions to Terna to amend the proposed method for settlement between TSOs for unintentional exchanges of energy, volumes exchanged in the process of frequency containment and ramp periods, prepared pursuant to Regulation EU 2017/2195 (Balancing Regulation).

Resolution **69/2019/R/eel** positively verified the contractual obligations of Terna and Gme for the start of the single coupling of the Day Ahead Operations Agreement - **DAOA**, TSO Cooperation Day Ahead - **TCDA** and Service Level Agreement with Joint Auction Office - **SLA JAO**.

The DAOA contract, the SLA JAO contract and the RCDA contract scheme entered into force simultaneously on 1 April 2019 and have an unlimited duration, unless terminated by the parties.

The DAOA establishes the rights and obligations of the NEMOs (designated electricity market operator by country) with reference to the cooperation for the operation of the single day-ahead coupling. The SLA JAO contract may not be terminated before 31 December 2019 and allows access to new counterparties that have paid the access costs and establishes the rights and obligations of the parties in relation to the tasks performed by JAO for the benefit of NEMO and network operators, as parties responsible for the regulation of economic items.

Resolution **82/2019/R/eel** approved Terna's proposed amendments to the Network Code for the implementation of Regulations EU 2016/1388 (Demand Connection Code – DCC) and 2016/1447 (High-Voltage Direct Current – HVDC). The updating of the Terna Network Code is one of the interventions necessary for the integration of the regulations in question into the current regulation, allowing its full application in Italy within the envisaged time frame (DCC from 18 August 2019 and HVDC from 8 September 2019).

With Resolution **120/2019/R/eel**, in coordination with all other regulatory authorities of the Nordic and Continental Europe synchronous areas, the Authority approved the joint proposal on the cost benefit analysis (CBA) methodology for the aforementioned synchronous areas, concerning the duration of the delivery period for the service of "primary frequency regulation" by units with limited energy availability, prepared by the TSOs concerned pursuant to Regulation EU 2017/1485 (SO GL).

With Resolution **133/2019/R/eel**, the Authority verified and approved the ANCA contractual schemes (All NEMO⁴ Cooperation Agreement) and ANDOA (All NEMO Day Ahead Operational Agreement) that the Gestore dei mercati energetici (Gme) must stipulate for the start of the single day-ahead coupling for the Italian offer areas. According to the Market Coupling Operator Plan (MCO) adopted by the Authority, the ANCA must establish the unanimity rule for the decisions of NEMOs relating to the implementation and operation of single intraday coupling, and, in the event of disagreement, hierarchical recourse to the All NEMO Committee. ANDOA, on the other hand, establishes the rules for cooperation between the NEMOs in the following areas: the design, testing and requests for change of the tools used to perform the MCO function for the single day-ahead coupling and the management of the operations necessary for the exercise of the MCO function for the single day-ahead coupling.

Resolution **134/2019/R/eel** verified and approved the contractual obligations of Terna and Gme for the start of intraday coupling on the electricity border between the Italy North Zone and Switzerland.

With Resolution **550/2019/R/eel**, the Gme's proposals to amend the energy accounts platform regulation and the related technical operating provisions were approved, in order to take into account the termination of the Cde platform. These amendments took effect from 1 January 2020.

With Resolution **159/2019/R/eel**, the Authority positively verified the "Intraday Auctions CH-IT Settlement Link Agreement" contract scheme prepared by GME and ETC. to regulate settlement procedures for payments associated with intraday coupling on the Italian and Swiss borders.

With Resolution **174/2019/R/eel**, in coordination with the Greek Regulatory Authority, the Authority approved the proposal on the methodology for the design and implementation of complementary regional intraday auctions for the Greece-Italy region, prepared jointly by NEMOs and TSOs of the region pursuant to Regulation EU 2015/1222 (Cacm Regulation).

With Resolution **210/2019/R/eel**, in coordination with the other regulatory authorities of the Italy North region, the joint proposal on the methodology for the design and implementation of intra-day complementary regional auctions prepared jointly by NEMOs and TSOs of the Italy North region pursuant to Regulation EU 2015/1222 (Cacm) was approved.

⁴ NEMO: nominated electricity market operator

Resolution **237/2019/R/eel** – in coordination with the other regulatory authorities of the Italy North region – approves the joint proposal on the methodology for the design and implementation of complementary regional intraday auctions for the Italy North region, prepared jointly by NEMOs and TSOs of the region pursuant to Regulation EU 2015/1222 (CACM Regulation). Resolution **238/2019/R/eel**, on the other hand, gave the go-ahead to the counter-trading and redispatching methodology for the Italy North CCR.

In coordination with the other Regulatory Authorities of the Italy North CCR, Resolution **463/2019/R/eel** of 12 November approved the methodology for calculating capacity for the region pursuant to articles 20 and 21 of Regulation (EU) 2015/1222 (Cacm).

Resolution **561/2019/R/eel** therefore approved the request for a waiver for compliance with the minimum capacity level (70%) to be made available for trade between market areas, submitted by Terna with reference to the Italy North Region for the year 2020.

Resolution **507/2019/R/eel** approved the 2020 Regulation of auctions for the assignment of the virtual import service and the contractual scheme governing the provision of the service, proposed by Terna.

Resolution **539/2019/R/eel** approved Terna's amendments to the Network Transmission, Dispatching, Development and Security Code for the implementation of European regulations on connections.

Resolution **546/2019/R/eel** verified the compliance of the amendments to Terna's network code in implementation of the provisions of Regulation EU 2017/2196 (Regulation on emergency conditions and restoration of the electricity grid).

Resolution **6/2020/A** approved the Authority's participation in the third phase of the knowledge transfer project to the Albanian, Montenegrin, northern Macedonian and Serbian Regulatory Authorities funded by the Central European Market Coupling Initiative under the KEP - Know-How Exchange Programme.

Resolution **20/2020/R/eel** approved Terna's request for an exception to the minimum capacity level (70% rule) for the Greece-Italy region (CCR GRIT) for the year 2020, with reference to situations where capacity is limited by current constraints. The exception applies only to borders between areas within the national territory. For 2020, Terna is still committed to monitoring the capacity offered on these borders by sending periodic information to the Authority.

Resolution **21/2020/R/eel** approved Terna's proposals on the rules for the explicit allocation of transport capacity for the long-term, daily and intraday time horizons for areas where the rules harmonised at a European level do not apply. Indeed, these are the rules for allocating capacity on a daily basis on the borders with Switzerland and Greece (for which market coupling is not yet implemented), on an intraday basis on the borders with France and Austria and on a long-term basis on the border with Switzerland. The rules apply from February 2020.

Resolution **36/2020/R/eel** confirmed Terna's proposed amendments to the Network Transmission, Dispatching, Development and Security Code for the implementation of the provisions on data exchange, adequacy checks and unavailability plans pursuant to Regulation (EU) 2017/1485 (SO GL). Approved with some revisions, the amendments concern Chapter 1B and Chapter 3 of the Network Code, as well as Annexes A.6, A.7, A.13 and A.65.

Resolution **70/2020/R/eel** provides evidence of the congestion rent due to the Italian system for the allocation of cross-border capacity and its use pursuant to article 19, paragraph 5 of Regulation (EU) 2019/943. Data on the monthly balance of revenues and charges deriving from the procedures for allocating transmission capacity on the interconnection network with foreign countries for the period January 2019 - December 2019 were published, amounting to a total of € 424,848,787 (of which € 212,508,229 for Terna's share). These revenues were used in accordance with the purposes envisaged by the Regulation, and no revenues were used to reduce network tariffs.

In coordination with the regulatory authorities of the Greece-Italy (GRIT) region (CCR), Resolution **114/2020/R/eel** approved the methodology for splitting long-term capacity over the annual and monthly time horizons relating to the same CCR, pursuant to art. 16 of Regulation (EU) 2016/1719 (FCA). Resolution **115/2020/R/eel**, on the other hand, gave the go-ahead to the long-term capacity calculation methodology for the GRIT CCR. With Resolution **176/2020/R/eel** ARERA adopted a decision pursuant to Regulation EU 347/2013 on the request for investment of the Sicily-Tunisia Interconnection project according to which, subject to funding from the European Commission, the investment costs are shared equally between the Italian and Tunisian network operators, allowing the inclusion of investment costs in the tariffs for access to the network. The project envisages a line with a total length of 237 km with a transport capacity of 600 MW, put into operation in 2026 or 2027, for an estimated investment cost of € 600 million with an uncertainty range of about 10% and an operating cost of € 3 million per year. With Resolution **200/2020/R/eel**, ARERA approved the regulation prepared by Terna relating to the pilot project for the provision of the ultra-fast frequency regulation service, pursuant to Resolution 300/2017/R/eel. The project allows managing the consequences of the decrease in inertia in light of the prospective scenarios defined in the Pniec, and at the same time for the containment of Deterministic Frequency Deviations.

With Resolution **202/2020/R/eel**, to the extent of its responsibility ARERA approved the methodology inherent in the Load Frequency Control Block operational agreement (LFCBOA) for the Italy block pursuant to Regulation EU 2017/1485 (SO GL), modified following a request for amendments. Terna must publish the amended proposal in a version expunged of all confidential elements, and also make available a new version of Annex A25 to the Network Code containing the elements on the application of the ramp requirement to thermoelectric production units (the application of which is foreseen for a transitional phase of 12 months from the date of entry into force of the proposal, within four months of approval by the Authority). In addition, the update of the Network Code relating to the definition of specific settlement rules for the ramp requirement, the possible extension to hydroelectric production units and the adjustment of the reserve sizing process with reference to the SO GL Regulation must be completed within 12 months from the entry into force of the provisions of LFCBOA Italy. Starting 30 September 2020 Terna will send ARERA a quarterly report and a document on the mitigation measures included in the "Report on Deterministic Frequency Deviations" (DFD Report) that it intends to apply in the LFC Block Italy.

With resolution **210/2020/R/eel**, in coordination with all Regulatory Authorities of the Continental Europe Synchronous Area, ARERA approved the proposed methods for settlement between TSOs of unintentional exchanges of energy,

volumes exchanged in the process of frequency containment and ramp periods, developed pursuant to Regulation EU 2017/2195 (Balancing Regulation). The proposals were amended by the TSOs at the request of the Authorities.

Provision of GAS metering data via the IIS

With Resolution **434/2017/R/gas**, starting in October 2017, the Authority envisaged the start of the experiment on the provision of gas metering data by the distribution companies to the IIS and transport users, providing that the timing of the provision of metering data as well as the related flows remained those already envisaged by article 15 of the TIVG and by Resolution 4/2015.

Following the monthly monitoring carried out starting from October 2017, the Authority published Resolution **488/2018/R/gas** with which it established that, starting from November 2018, the process of making available periodic metering data and related adjustments is carried out by interfacing the distributors (responsible for the metering data) with the IIS. In this way, the IIS acquires and certifies the submission of the data and makes them available to distribution users no later than 24 hours from receipt thereof. The Authority also established that until April 2019 distributors could also use the current channels for making metering data available.

Following a series of meetings with operators, the Authority published Resolution **271/2019/R/gas** and the subsequent Resolution **6/2019** with which it improved and rationalised the exchange with the IIS.

In particular, in the resolution the Authority mandated the IIS Manager to publish the new ad hoc layouts that will be used for:

- the provision of technical data, information and measurement data collected during the replacement of the meter and other technical service
- the provision of the periodic measurement data collected in accordance with the TIVG, the self-readings made by end customers, the measurement data collected during switching, as well as other technical services requiring the collection of measurement data
- making available the corrections to the measurement data submitted with the two previous flows.

At the same time, the Authority has defined the procedures and timing that, given the specified starting date, allow the distribution companies to transfer the largest number of measurements to the IIS to be used for their Settlements.

The entry into force of the new guidelines, already extended from 1 February to 1 June 2020 with Resolution no. 493/2019/R/gas, was again extended with Resolution no. **185/2020/R/gas**. In particular, the resolution provides that:

- The new information flows are applied from 1 January 2021, with reference to the provision of metering data collected as a result of the execution of technical services, and periodic metering data concerning withdrawals pertaining to January 2021;
- in accordance with the procedures defined by the IIS, Distribution companies simultaneously transmit the information flows transmitted to Distribution Users related to measurements made during technical services and technical interventions on the metering group, until 31 December 2020;
- By 31 July 2020, IIS must update the Technical Specifications for the definition of the new information flows in consideration of any needs that have emerged to efficiently manage them, in particular as part of the activity of profiling and aggregation of withdrawals functional to the Gas Settlement.

Cessation of price protection schemes (Annual Market and Competition Law for 2017. Italian Law no. 124 of 4 August 2017)

The "Annual Market and Competition Law", no. **124 of 2017**, which entered into force on 29 August 2017, provided for the termination of price protection schemes both in the electricity and gas sectors starting from 1 July 2019. The implementing decree of the MISE, expected by April 2018 and not yet issued, should define the measures to ensure the termination of the transitory price regulation and the conscious entry into the market of final customers, according to mechanisms that should ensure competition and the plurality of suppliers and offers in a free market.

Italian Law 108, which converted Italian Decree Law no. 91 of 25 July 2018, postponed the termination of the price protection schemes until 1 July 2020.

As envisaged by the same law, with Resolution **59/2019/R/com** the Authority prepared Guidelines (LGA) with voluntary participation for the promotion of commercial offers of electricity and gas benefiting purchasing groups and the creation of IT platforms that can facilitate the aggregation of small consumers. Purchasing Groups will then be able to search the market for commercial offers, acting as a bridge between sellers and end customers. These guidelines, effective from 1 May 2019, establish rules of conduct that purchasing groups are required to observe for a period of at least two years after voluntarily adhering to them.

From the analysis of the results – considered unsatisfactory – of a demoscopic survey conducted between December 2018 and January 2019 on 3,000 household end customers, with Resolution **197/2019/R/com**, the Authority considered it appropriate to initiate a procedure to identify and put in place further actions complementary to the notice in the bill, actions that make a stronger impact from a communications point of view and aimed at making customers in the standard market more involved in the evolution of energy markets and the instruments prepared for them, assessing the opportunity to also involve end customers already in the free market.

Italian Decree Law no. **162/2019** was approved (so-called **1000 Postponements**) establishing a further postponement of the termination of the price protection schemes to 1 January 2022.

Following the conversion into law of Italian Legislative Decree 162/2019 (1000 Postponements) with Law no. **8 of 28 February 2020** (in force since 1 March 2020), with regard to the end of the standard market it was established that:

- January 2021: cessation of the standard market for small businesses (an enterprise employing less than 50 people and having an annual turnover or annual balance sheet total not exceeding € 10 million)

- January 2022: termination of the standard market for households and micro-enterprises (an enterprise employing less than 10 people and having an annual turnover or annual balance sheet total not exceeding € 2 million) and termination of the gas standard market. Voltage is no longer established as a criterion to identify the scope, but ARERA will establish the contractually committed power level as an identification criterion in addition to those already identified by the directive.

From the aforementioned dates, the Authority shall take measures to ensure service for final customers without an electricity supplier, as well as specific measures to prevent unjustified price increases and alterations in the conditions of supply to protect such customers.

Furthermore, by the end of May, after consulting the Authority, the AGCM and the parliamentary committees, the MISE must adopt a ministerial decree defining criteria and methods for the informed entry of final customers into the market, taking into account the need to ensure competition and the plurality of suppliers and offers in a free market.

Transitional service for non-domestic customers

Consultation document 220/2020/R/eel was published as a follow-up to consultation document 397/2019/R/eel and explains the Authority's further guidelines on the regulation of the transition service and how to assign it, in order to ensure continuity of supply to small businesses other than micro-enterprises with low-voltage connections, which will be without a supplier from January 2021. The main points that the Authority's consultation is based on are as follows:

- On a provisional basis, the current main utility providers will provide the "transitional service" to small businesses in the territorial area of their competence from January 2021 until the service is assigned (estimated from July 2021) to the new operators selected by tender;
- The structure of the economic conditions of the interim allocation period is similar to that of the current standard market, but different from that which will be applied in the period of full allocation following the completion of the tenders;
- Until December 2021, the main utility provider will still be required to take charge of the service in the event of default of the operator selected in the tender or in the event of a tender without participants;
- There is a maximum limit to the allowable areas and a ceiling on the pricing;
- The operator of the transitional service may propose its own free market plans to customers.

The regulator further noted that the regulation of the transitional service intended, from 1 January 2022 for micro-enterprises and household customers will be the subject of a subsequent separate consultation document.

Modification of the process for termination of dispatching and transport contracts

Confirming what was proposed in consultation 412/2019/R/eel, with Resolution **37/2020/R/eel** the Authority established that starting from 1 January 2021, in the event of a termination of a dispatching contract and/or a distribution contract with respect to a sales company that failed to comply with the operator, the activation of the service of last resort will take place from the day following the communication of the resolution to the Integrated Information System (IIS) by Terna or the distribution companies, zeroing the termination time that was previously 17 working days.

In case of recourse to the service of last resort, it established specific financial conditions ("Omega" parameter equal to zero) such as not to penalise the end customer, for a transitional period that does not go beyond the end of the last day of the month following the month in which the service was activated. The main utility providers would be reimbursed for the application of these "discounted" conditions.

Moreover, the Authority established that the end customer will still be able to access the fast switching procedure (i.e. exit from the service of last resort) following the signing of a new supply contract, and will only be able to use it until the last day of the sixth month following the service's date of activation. In the event of a request for switching by the new transport user, a specific clause is foreseen that will inform that the activation of the supplier of last resort occurred following the termination of the dispatching and transport contract, in order to distinguish this case from the ordinary cases of activation of the service of last resort.

The Authority postponed to a subsequent order the definition of the mechanism to compensate the main utility providers for the difference in pricing envisaged by the resolution compared to the normal situation. This mechanism will also take into account the charges related to imbalances in the initial period of activation of the service and the reimbursement of non-recoverable charges accrued towards final customers that cannot be disconnected.

Checks of companies engaged in the retail sale of electricity and gas

With Resolution **386/2019/E/com**, the Authority arranged a documentary survey of sales companies aimed at collecting information to verify "the effective ability of sales companies to operate in a lasting manner in the retail market and to expand their business in order to increase the level of market competitiveness" and to make an "assessment of the impacts resulting from the increase in the number of operators and the extent of any barriers to growth". In fact, as part of the monitoring carried out for the preparation of the annual "Monitoring Report of the retail electricity and gas markets", the Authority found:

- "A steady and substantial increase in the number of sales companies active in the free market in the period 2012-2017" and also in 2018;
- "The continued presence in the market of small companies with limited growth, so much so that the constant expansion of the structure of sales companies seems to be associated with a fragmentation of their market shares".

This survey, aimed at both ascertaining the effective operation of the companies and analysing financial data of the companies themselves, will be carried out mainly through the databases that will be made available to the Guardia di Finanza and may be the basis for the possible adoption of enforcement and/or regulatory acts.

Approval of the settlement scheme of the Register of Sellers

The “Annual Market and Competition Law”, no. 124 of 2017 that entered into force on 29 August 2017 provided that sellers of electricity, in analogy with what is already done for the sale of natural gas, must be included in the Register of sellers of electricity, to be established by decree of the Minister of Economic Development on a proposal from the Authority. With resolution 762/2017//eel, the Authority made a first proposal to the Ministry, which, however, accepting most of the comments raised by the sellers, extensively simplified the text, also obtaining the approval of the Council of State. To be included in the register, sellers must meet certain technical and financial requirements (e.g. regularity of payments, minimum share capital of 100k, and corporate forms) and of good repute. The draft ministerial decree is currently under consideration by the ministry, which is gathering further comments from the various stakeholders.

In January 2019, with a resolution approved by the Production Activities Committee of the Chamber of Deputies, the government undertook to approve the register of sellers of electricity as soon as possible.

Italian Decree Law no. 162/2019 was approved (so-called 1000 Postponements) stating that the MISE will have the right to exclude a seller from the Register if it finds serious breaches or inconsistencies with the requirements or situations considered critical to the proper operation of the markets and consumer protection. In fact, in agreement with the Authority, the Ministry has been mandated to adopt a decree to establish the criteria, methods and requirements (technical, financial and good repute) for registration and permanence in the Register.

Following the conversion into law of Italian Legislative Decree 162/2019 (1000 Postponements) with Italian Law no. 8 of 28 February 2020 (in force since 1 March 2020), it was ordered that by the end of May MISE should adopt a ministerial decree proposed by ARERA and after consulting with AGCM establishing the Register of Electricity Sellers, providing that the procedure for exclusion also take into account violations and irregular conduct carried out in the sale of electricity, ascertained and sanctioned by the Authorities (ARERA, AGCM, PRIVACY AUTHORITY, REVENUE AGENCY), thus making the application of a sanction grounds for exclusion from the register. Other grounds for removal include situations of serious breaches of or inconsistencies with the requirements, or situations considered critical also in light of the general principles governing the proper operation of the markets and consumer protection.

Remuneration for the sale of electricity (RCVsm) and appeal filed with the Lombardy regional administrative court

With resolution **706/2018/R/eel**, the Authority established the RCV values for 2019. In particular, the central and southern RCVsm was increased by 4.33% to € 42.53 and decreased by 20.47% to € 116.30 for non-domestics on the basis of a central and southern unpaid ratio that had decreased for other uses compared to the previous year. In the same resolution, the Authority also substantially halved the value recognised for the mechanism for compensating for arrears. In particular, the value for domestics decreased by 53.51% from € 8.25 to € 3.84 and the value for non-domestics decreased by 47.01% from € 80.83 to € 42.83.

Following the reduction of the aforesaid values relating to the RCVsm and Comp, Acea Energia appealed against resolution 706/2018/R/eel, arguing that this measure was not suitable to guarantee the financial equilibrium of the company, contesting in particular the overall reduction in the values of RCVsm, the disproportionality of the reduction in the compensation component of arrears compared to the reduction in the values of unpaid (decreased by 21.02% for domestic and 26.81% for non-domestic in the central and southern area) and the failure to revise the method for calculating the WACC for the sales sector.

With Resolution **576/2019/R/eel**, the Authority updated the RCV and DISPBT components and the PCV fee with effect from 1 January 2020. Specifically, with regard to the RCVsm component (specific for operators other than the incumbent) for the Central South territorial area there was an increase in the value of the component to €44.10/wp compared to the value of the year 2019 (equal to 42.53) for domestic customers and a decrease in the value to €10.18/wp compared to the value of the year 2019 (equal to 11.63) for other uses customers.

With Resolution **100/2020/R/eel**, the Authority updated the provisions for the mechanisms of the TIV, reducing the value of the recognised amounts of the late payment compensation mechanism (art. 16ter of the TIV), which was reduced from €3.83/wp to €1.80/wp for domestic customers and from €42.82/wp to €19.17/wp for other customers. The Authority has also reduced the minimum level of unpaid ratio for other uses beyond which the aforementioned mechanism can be accessed by changing it from the previous 3.56% to 2.98%. With regard to the customer exit compensation mechanism (article 16-quater of the TIV), the Authority revised the values of the benchmark that determines both access to the mechanism and the value of the compensation itself. In particular, it revised these values upwards, making access to the mechanism more difficult and reducing the value of compensation.

Reform of the settlement gas regime

With resolution **72/2018/R/gas**, the Authority approved the provisions related to the new regulation of gas settlement contained in the "Integrated text of the provisions for the regulation of physical and economic balances of the natural gas balancing service (TISG)" that will come into force on 1 January 2020.

The new regulation aims to ensure a more efficient supply of balancing and natural gas transport services with reference to the calculation of the energy withdrawn by each user of the balancing.

Resolution no. **132/2019/R/gas** approved transitional provisions concerning IIS distribution companies' transmission of information for the simplified calculation of the annual withdrawal parameter (CApdr) for the 2019-2020 thermal year, used to apply the settlement gas regime. The implementation of these transitional provisions became necessary because, despite the fact that Resolution 72/2018/R/gas had established that from July 2019 the determination of annual consumption was assigned exclusively to the IIS, it emerged that the IIS itself, not having a sufficient history of measurements, was not able to independently quantify the parameter.

With Resolution no. **148/2019/R/gas** the Authority therefore deemed it appropriate to approve a new Integrated Text on Settlement Gas (TISG), replacing the text already approved by Resolution no. 72/2018 but not yet in force, in implementation of the new regulations on provisional financial statements and management of the commercial relations value chain within the IIS, confirming its entry into force on 1 January 2020.

The TISG was also amended to incorporate the provisions for the new process for updating the correspondence between the balancing user and the redelivery point of the distribution network within the IVS as per Resolution **155/2019/R/gas**. Furthermore, with Resolution **147/2019/R/gas**, effective from 1 October 2020 the Authority reformed the process of capacity allocation at the outlets of the gas transmission network that feed the distribution networks (city-gate). In particular, the measure simplified the process since the capacity must no longer be requested by the BU and the transfer is automatically completed when the "correspondence report" is certified in the Central Register of the IIS, which defines, for each grid point present in the distribution contract of an DU, which BU the withdrawals should be attributed to. This automated process provides that the quantities conferred are determined solely on the basis of the characteristics of the grid points served on the distribution network by the DUs (annual consumption, sampling profile and measurement frequency) and also allows going beyond the current procedures of transfer of capacity in cases of replacement in the supply of an end customer connected to the distribution network (switching) and the elimination of fees for overcapacity.

Under the new measures envisaged by Resolutions 72/2018/R/gas, 148/2019/R/gas and 155/2019/R/gas on commercial relations within the gas supply chain, each month the IIS Operator must verify the valid correspondence between grid points, distribution user and balancing user, and in the absence of such a relationship notify Snam and the other transport companies for the activation of the default transport service from the first day of the following month. If the distribution user does not identify a balancing user, the same provisions apply as for early termination of the distribution agreement. The distribution company must therefore terminate the distribution contract early for loss of access requirements and the IIS must activate the services of last resort.

As at 31 December 2019, the IIS verified the presence of a correspondence that was valid for approximately 99.9% of the grid points in the OCR. Therefore, starting from 1 January 2020, the IIS showed that about 18,000 grid points underlying about 1,600 REMIs did not have a valid correspondence between the balancing user, grid point and distribution user (these points were present in the distribution contract of about 240 distribution users) and for these points it activated the default transport default. For approximately 9,500 points, a request was made by the distribution user to associate the balancing user as of 1 February, and for the remaining 8,500 grid points this did not happen. The remaining 8,500 grid points are present in the contract of 210 distribution users (Acea Energia was only marginally involved in this case, which was remedied as early as 1 February), which in turn risked the termination of the distribution contract, with subsequent activation of the supplier of last resort for all the grid points served, i.e. 7.8 million grid points.

In order to avoid the activation of the supplier of last resort, the Authority intervened with Resolution **9/2020/R/gas**, postponing the effectiveness of the provisions on the termination of the distribution contract to 1 March, identifying 1 April as the date of the first possible resolutions and consequent activation of services of last resort. Following the resolution, the Authority initiated a discussion with operators through trade associations and accepted their comments, publishing Resolution **88/2020/R/gas**, in force since 1 April 2020. The resolution provided that in the absence of correspondence of single grid points, the Default Transport Service (DTS) would be provided for a maximum period of 6 months from the date of the service's activation, under more onerous financial conditions starting from:

- Third month of activation: if the DTS is activated from the first day of the month;
- From the first day of the third month following the activation date: for the new activation of grid points, for which upon activation the withdrawals are attributed to the DTS.

At the end of the DTS delivery period, the services of last resort will be activated for the individual grid points for which there is no valid correspondence. By July 2020, within month m with effect from the first day of month $m+2$, the Distribution User will have the opportunity to indicate to the IIS at most one residual Balancing User for each REMI station to associate with the grid points that are found not to have a valid correspondence following the execution of the ordinary procedures.

ARERA unbundling checks

With Resolution **561/2018/E/eel**, the Authority approved a programme of controls on the separation of the brand and communications policies for companies operating in the sale of electricity to free customers and protected customers.

Acea Energia was also included in the sample of companies involved in the verification programme envisaged by the Authority and received a request for information regarding compliance with the requirements of article 17 of the TIUF. The company provided the information and documentation requested by the Authority on compliance with the obligations of separation of the brand and communication policies between the sale of electricity to standard and free market customers. The information provided mainly concerned:

- The obligations to separate the brand between the sale of electricity to the standard market and the free market;
- Internet websites;
- The organisational structures and staff dedicated to the activity of selling on the open market or to the standard market;
- The forms and letterhead used in communications for customers in the open market and those in the standard market.

As already envisaged in resolution 561/2018/E/eel, with the subsequent resolution **96/2019/E/eel** the Authority started the second phase of the controls and carried out an inspection at the branches of Piazzale Ostiense and Ostia and at the Company's headquarters. Acea Energia also provided the additional information requested regarding the separation of the brand and communication policies.

The Authority sent a letter indicating some corrective actions to be implemented by December 2019 with respect to the separation of physical spaces (provide for removable, but not mobile structures and provide for separate access) and the information in the interactive voice responder regarding the end of the standard market, inviting the Company to its offices to present the methods for implementing these actions.

Following the meeting of 16 October, the Authority considered the corrective actions illustrated to be appropriate, which were then formalised with a note dated 4 November 2019. With its subsequent note of 20 December 2019, the Authority definitively approved the proposed actions, which are scheduled to be completed by 31 March 2020. After communicating the changes to the interactive voice responder with the addition of a button dedicated to providing information regarding the end of price protections, Acea Energia informed the Authority that it had also completed the corrective actions relating to the separation of physical spaces ahead of time.

Sanctioning procedure for charging the postal costs for the paper bill

With decree **66/2018/com** dated 15 November 2018, the Authority ordered the initiation of a sanctioning and prescriptive procedure against Acea Energia for charging final domestic customers for the receipt of the paper bill for free market offers called "Acea Viva" and "Acea Rapida" in violation of the provisions of Italian Legislative Decree 102/14 and Annex A to Resolution 555/2017/R/com.

Acea Energia notified the Authority of the termination of the conduct, updating the economic conditions of the offers in question and presenting the following commitments:

1. Reimbursement of the amounts already paid by customers;
2. making available to electricity customers who were still active and who had paid the disputed surcharge a free consumption analysis service in order to promote greater efficiency in the use of energy;
3. strengthening – even through parties external to the Company – the verification of electricity and gas supply contracts that can be selected by domestic customers in terms of compliance with applicable industry regulations.

Following the additions and modifications requested by the Authority, the Company presented a new proposal for commitments that include:

1. The return of the amount charged to customers;
2. A bonus of € 15 to customers who switch to a web bill;
3. A bonus of € 12 spread over a year to damaged customers.

With Resolution **418/2019/S/com**, the Authority declared the new proposal admissible, thus submitting it to the next market test phase. As no comments were received, Resolution **533/2019/S/com** closed the procedure with the approval of the commitments submitted and an indication to comply with them by 17 April 2020 for commitment 1 and also to implement the provisions of commitments 2 and 3 – which will have a duration of 12 months – by 17 April 2020. From the end of February, Acea Energia:

- Reimbursed the amount charged to the customers to whom it had applied the surcharge for the receipt of the paper invoice (the reimbursement was completed by 17 April 2020)
- Launched the campaign promoting the activation of the web bill by mass market customers active on 19/12/2019 with the recognition of a one-off bonus of € 15 for customers who request it (activity started by 17 April 2020 with a duration of up to 12 months);
- Granted active customers within the scope of commitment 1 a discount in the bill of € 1/point of supply/month for a period of 12 months (activity started by 17 April 2020).

Examination of the financial items relating to electricity destined for the states included in the Italian state

Pursuant to resolution **58/2019/E/eel**, the Authority initiated a fact-finding investigation against Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for the Vatican. The Company responded to the request for information.

In accordance with this resolution and pending the conclusion of the aforementioned investigation, the Authority has specified to the Italian Energy and Environmental Services Fund that it should proceed on a transitional basis and subject to adjustment with the equalisation of the costs incurred by Acea Energia for 2017 for the purchase and dispatching of electricity intended for protected customers.

With Resolution **180/2019/C/EEL**, the Authority decided to challenge the extraordinary appeal brought by the Azienda Autonoma di Stato per i Servizi Pubblici della Repubblica di San Marino for the annulment of Resolution 670/2018/R/eel (which updated the transmission tariffs for the year 2019) and Resolution 58/2019/R/eel.

Pending the conclusion of the investigation, the Authority asked the Cassa per i servizi energetici e ambiente – on a temporary basis and subject to adjustment – to suspend any disbursements relating to the equalisation of the costs incurred by Acea Energia for 2018 for the purchase and dispatching of electricity intended for standard market customers.

With Resolution no. **491/2019/E/eel** the Authority closed the preliminary investigation by instructing Acea Energia and areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution 491/2019/E/eel, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals by Vatican City State by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result, with resolution **5/2020/eel** the Authority initiated two sanction proceedings against Acea Energia and areti to ascertain possible violations of the regulation of the financial items relating to electricity destined for Vatican City State. Pursuant to the combined provisions of Italian Decree-Law no. 18 of 17 March 2020, Italian Decree-Law no. 23 of 8 April 2020 and resolution 74/2020/S/com, Acea Energia has submitted commitments pursuant to resolution 243/2012/E/com and is awaiting approval. Following the final approval of the commitments, the sanction procedure will be deemed closed without establishing the infringement.

Capacity market

On 28 June 2019, the decree on the electricity production capacity market was signed at the MiSE, designed to remunerate power plants kept on standby and otherwise operating below capacity so they can ramp up if required by the system, ensuring both adequacy of the system and security of the supply. In June 2019 the European Commission approved the introduction of stringent CO₂ emission limits for the Italian regulatory system related to the capacity mechanism. The limits for CO₂ emissions will prevent high-emission electricity generating plants such as coal-fired plants from participating in the Italian capacity regulation mechanism.

Resolution **343/2019/R/eel** approved the Regulation prepared by Terna on the methods for enabling and participating in the dispatch service market of contracted consumption units in the capacity market (Ucmc), as well as provisions on tenders to be carried out by 2019.

With Resolution **363/2019/R/eel**, the Authority approved and published the financial parameters of the auctions for the 2022 and 2023 delivery years that Acea Energia participated in, respectively winning 63 and 58 MW of Likely Available Capacity (LAC), i.e. the capacity of each resource considered available for the Capacity Market. The Regulator also approved Resolution **364/2019/R/eel** relating to the verification of compliance with the technical provisions for the operation of the market already consulted by Terna in July, and finally Resolution **365/2019/R/eel** which contains determinations on the consideration to cover the net charges for supplying capacity through the mechanism.

Integrated text on Dispatching - DCO 322/2019/R/eel

Consultation document **322/2019/R/eel** is of particular relevance in order to "lay the foundations for a new regulation and to allow the full participation in the electricity system of renewable sources, distributed generation, storage systems, aggregators and consumers, some of whom are also producers", as mentioned in the Authority's presentation.

The Dco first illustrates the national and European context, focusing on both Regulations EU 2015/1222 (CACM) and EU 2017/2195 (Balancing) and on the Clean Energy Package, with references to the new Regulation on the internal electricity market EU 2019/943 (Electricity Regulation) and the new Directive on the internal electricity market EU 2019/944 (Electricity Directive). It then illustrates the actions to be implemented to complete the integration of the Italian markets with those of the other EU countries. The DCO goes on to describe the measures relating to market participation and the programming of production and consumption units, separating trade negotiations from the physical programming of production and consumption units. Together with Terna and Gestore dei mercati energetici (GME), the Authority also intends to assess the definition of transition procedures that allow coordination between the Dispatch Services Market (DSM) and the Intraday Markets (IM) in time for the start of coupling. Measures for the introduction of negative prices on national markets are also presented, limited to the Day-Ahead Market and IM, and actions – already in place or planned – regarding the coordination between the Italian DSM and European balancing platforms under development. The document also contains guidelines aimed at rationalising the criteria on the basis of which Terna will be called upon to review the definition of ancillary services necessary to ensure the security of the system (indicating that they could be different from those currently in place or could use new ones) and the minimum performance requirements to be met in order to provide them. Guidelines are also presented to review the ways in which resources for ancillary services are sourced and remunerated in the most efficient manner, in compliance with the time and logistical constraints typical of the operation of the electricity system. These guidelines take into account the results of the pilot projects launched by Resolution 300/2017/R/eel. Further possible elements aimed at improving the functionality of the DSM in terms of efficiency, effectiveness and transparency are identified in the DCO in the possible introduction of the marginal system price criterion – replacing the current pay as bid – for pricing. The Dco also contains guidelines on the valuation of imbalances in the most consistent way possible with the temporal, spatial and product aspects that distinguish the value of the energy in real time (also by gradually resorting to node prices), preventing any distortions in the formation of imbalance prices from creating inefficient market outcomes, with consequent possible negative repercussions also on the security of the electrical system and on the costs incurred to ensure it. In this respect, the Authority foresees a time of 15 minutes also for non-enabled units; a spatial dimension consistent with the new definition of units (enabled or non-enabled); the construction of unbalanced prices based on node prices (the latter, however, does not yet present definitive proposals either because node prices that can be used for this purpose are not yet available or because European assessments are under way in the context of the definition of implementing provisions of the Balancing Regulation). Finally, the first guidelines on the evolution of the role of distribution companies in a context in which distributed generation plants are no longer negligible are presented, requiring increasingly active management of distribution networks.

With Resolution 153/2020/R/eel, ARERA approved the amendments prepared by Terna for the regulation relating to the pilot project for the participation of mixed virtual units (Uvam) in the dispatch service market (DSM).

The approved changes are functional to the participation in the DSM, within Uvam, of production and/or consumption units underlying points not processed on an hourly basis for settlement purposes (points with available input and/or withdrawal power not exceeding 55 kW for which the processing of measurement data on an hourly basis has not yet been activated), provided that they are equipped with a metering device that allows the competent distribution company to collect the hourly metering data.

The Authority ordered Terna to specify, in the Uvam regulation, the methods for calculating the penalty that applies in the event that the consistency checks between the measurements submitted by the Balancing Service Provider (BSP) and the measurements sent by the distribution companies have a negative result, so that: in the event of points not treated on an hourly basis included in a Uvam with fixed-end contract, the penalty is equal to the product of the monthly fraction of the auction amount of the forward contract (€ 30,000/MW/year) increased by 50%; in the case of points not treated on an hourly basis included in a Uvam without fixed-end contract, the penalty is equal to the product of 0.5 and the monthly fraction of the auction amount of the forward contract (€ 30,000/MW/year).

Reform of capacity transfers at the grid exit and delivery points

With Resolution 147/2019, the Authority had approved the provisions relating to the “automatic” allocation of transport capacity to Balancing Users based solely on the characteristics of the grid points served, including the related information flows, with effect from 1 October 2020. Strong concerns in this regard were received by operators through trade associations which requested the postponement of the start of the reform to 1 October 2021. In its communication of 13 March 2020, Snam stated that it did not see any issues with postponing the start of the reform until 2021. In light of this, with Resolution 110/2020/R/gas the Authority decided to postpone the start of the reform until 1 October 2021.

Provisions to the Cassa per i Servizi Energetiche e Ambientale for the disbursement of amounts relating to the results of the fourth adjustment session carried out pursuant to Authority Resolution 670/2017/R/gas

See

With Resolution 156/2020/R/gas, the Authority approved the provisions to the Cassa per i Servizi Energetiche e Ambientale (CSEA) for the purpose of providing Snam with the amounts relating to the results of the fourth adjustment session pursuant to Resolution 670/2017/R/gas for 2018. The total amount, to be paid by 31 May 2020, is 103,686,321.56, of which: € 105,946,265.27 for the term IOagg, to be applied to the gas settlement expense account; - € 2,259,943.71 for the term DSkagg, to be applied to the gas balancing expense account. Snam Rete Gas shall send CSEA the amount not paid for the bills issued, with a distinction between the shares relating to the IOagg and DSkagg components, duly documented, together with the amount paid in instalments, for a total amount of € 368,310.97. CSEA shall pay the amounts in question by the end of the month following the month of notification.

Urgent provisions concerning gas settlement

The Authority published Resolution 181/2020/R/gas approving the urgent provisions on Gas Settlement, with particular reference to the monthly balancing sessions for the months of January, February, March and April 2020, as well as postponing the end of the provision of incremental capacity referred to in point 4 of Resolution 538/2019. The need for these urgent provisions depended on the entry into force in January 2020 of the new settlement regulations (Resolution no. 148/2019) which provided for new guidance on provisional financial statements and management of the commercial relations within the Integrated Information System (“IIS”). Following the closure of the balancing session in January, the IIS Operator and Snam found the presence of abnormal withdrawals, elaborated on the basis of actual readings or estimates relating to the meters installed at the grid points of the distribution network and made available by the distribution companies. In May 2020, a review of the January 2020 financial statements was carried out and identified the persistence of some anomalies related to grid points with daily readings. Therefore, in line with the assessments made by the Authority's Offices, for the month of January 2020 the IIS excluded from the aggregate data submitted to Snam all “abnormal” withdrawals of these grid points identified on the basis of certain criteria. Based on these criteria, 650 grid points out of a total of 22 million were excluded. The Authority ordered that for the month of January 2020 Snam will exceptionally acquire, directly from Distribution Companies and through dedicated procedures, the correct daily withdrawal of the grid points excluded from the IIS in order to account for them in the transport budget. With regard to the balancing sessions for the months from February to April 2020, Snam and the IIS will have to provide for an extraordinary reworking, defining the relative timing – published on their websites – and providing for communication by the IIS to the operators involved (DCs, DUs and BUs) of the anomalies found and identifying the methods for correcting and including them within the scope of the aggregated data made available to Snam. Following the review of the January 2020 financial statements, Acea Energia did not receive the measurements relating to an Acea Ambiente plant. The lack of such measurements continued during the months of February, March and April 2020 (missing volumes 500,000 scm in 4 months). Acea Energia sent a report to the IIS Operator and is awaiting the reworking of the January budget session.

Subsequently, the Authority published Resolution 222/2020/R/gas, which amended the Gas Settlement Integrated Text (TISG) in order to regulate, as part of the ordinary activities under the responsibility of the Integrated Information System Operator, the communication to Distribution Companies (DC), Distribution Users (DU) and Balancing Users (BU) of anomalies detected for their correction during the budget sessions after April 2020.

Provisions on the distribution of electricity

In the first half of 2020, the main provisions of the Regulatory Authority for Energy Networks and Environment (hereinafter Authority or ARERA) introduced a series of extraordinary measures to combat the Coronavirus epidemic (so-called COVID-19), consistent with the emergency management measures adopted by the government for the whole country.

In fact, a series of resolutions were adopted as a matter of urgency in order to mitigate as much as possible the situation of discomfort for final consumers and certain companies related to the management of arrears in payments by customers, with specific reference to the process of suspending the electricity supply. More specifically, with Order 60/2020/R/com and subsequent amendments and additions, the Authority ordered that the so-called delinquency management procedures envisaged by the regulation of the supply contracts to the end customer not apply until 17 May.

This intervention was followed by measure 116/2020/R/com which introduced, also with regard to transport bills due in April 2020, the suspension of trader default procedures, precisely with respect to possible non-payments by customers who benefited from the aforementioned resolution 60/2020/R/com. More specifically, the Authority ordered the suspension of these procedures if the transport user has paid at least 70% of total turnover with regard to low voltage withdrawal points. At the same time, due to the fact that the measures introduced could have created difficulties for distributors to pay – to CSEA and GSE – the general system charges, it granted the latter the right to pay a portion corresponding to what was actually collected, in any case within a minimum limit (80%) necessary to guarantee the capacity of the System accounts. The measures introduced by Resolution 116/2020/R/com have also been extended several times by the Authority, until the bills due in June 2020. Consequently, subsequent Resolution 192/2020/R/com ordered the initiation of a procedure aimed at defining the procedures for the regularisation of the various debt positions.

In the context described above, with Resolution **213/2020/R/ee** the Authority introduced a series of amendments to the regulation on the installation of 2G smart metering systems for the year 2020 aimed at avoiding penalties for distribution companies for exogenous events arising from the epidemic. The main changes introduced concern the preparation of detailed plans for the mass phase, the suspension of penalties envisaged in case of progress below the forecast set out in the Plan, the suspension of the application of the "Information Quality Incentive" matrix.

The Authority reserved the right to fully or partially extend the measures adopted by this measure to 2021 in light of the evolution of the health emergency.

Finally, with Resolution **184/2020/R/com**, Arera transposed the provisions of the 2020 Budget Law (no. 160 of 2019) with regard to the elimination of the two-year limitation on cases where failure or erroneous collection of energy measurement data resulted from the ascertained responsibility of the end customer.

Documents for consultation

In February 2020, the Authority launched consultation **47/2020/R/efr** aimed at revising the rules for defining the tariff contribution to cover the costs incurred by DSOs with regard to obligations arising from the mechanism of energy efficiency certificates. The revision of the regulations became necessary following judgement no. 2538 of 28 November 2019 with which the Lombardy regional administrative court declared the Ministerial Decree of 10 May 2018 to be unlawful at the point where it set the maximum value of the tariff contribution at € 250/EEC.

In particular, for the regional administrative court, the illegitimacy of the rule derives from the assumption that the determination of the value in question was not the responsibility of the Ministry but of ARERA, indicating, however, that the same was entitled to "*not apply the ministerial prescription relating to the cap, or in any case not to assume it as binding and unchangeable data, determining the criteria for calculating the contribution and forming in full autonomy the relative calculation criteria and the maximum value*".

Therefore, in the consultation in question, the guidelines expressed by the Authority remain bound by what is expressed by the Ministerial Decree, where a tariff cap is no longer proposed but rather a floor that, by subtracting €10/EEC from the price of virtual energy certificates issued by the GSE and set at €260/EEC, indirectly confirms the value of the pre-existing tariff contribution, equal to €250/EEC.

At the same time, however, the only change is foreseen for the relevant monthly price of the bilateral certificates, the limit of which is likely to be raised to €260/EEC.

Finally, ARERA proposed confirming the value of the tariff contribution recognised for the 2018 mandatory year as well, not considering it appropriate to apply the new framework – which would be adopted after this consultation – to a completed year.

The consultation ended on 12 March.

As part of the procedure initiated by the aforementioned Resolution 192/2020/R/com, ARERA initiated consultation **193/2020/R/com** aimed on the one hand at regulating the methods and timing of final payment by transport users of amounts invoiced by distributors and not paid pursuant to Resolution 116/2020/R/com, and on the other hand the relative payment of these amounts by distributors to CSEA and GSE.

On 9 June, the Authority launched consultation **209/2020/R/eel** aimed at revising the regulation of network losses for the three-year period 2019-2021, outlining:

- The updating of the conventional percentage factors for commercial losses to be applied to distribution companies for equalisation for the aforementioned three-year period and consequently the revision of the standard loss factors to be applied to end customers from 1 January 2021;
- The establishment of a new trajectory for the reduction of commercial losses recognised to distribution companies in the three-year period 2019-2021, as well as the modification of the methods for calculating and applying the mechanism for mitigating commercial losses;
- The introduction of a mechanism for decoupling part of the network losses attributable to fraudulent use not recoverable by companies because they are independent of their actions.

Finally, the Authority published consultation document 201/2020/R/eel containing ARERA's proposals for the application of the indications contained in the Legislative Decree of 30 January 2020 on the inclusion of new generations of charging columns in dispatch mechanisms for participation in electrical balancing. Further documents will follow to consult the definition of the contributions to be paid to charging infrastructures following CEI's publication of the minimum technical requirements for devices.

Environmental Regulation

Following consultation document 351/2019, on 31 October 2019 ARERA approved Resolution 443/19 containing the first integrated waste management service tariff method 2018-2021.

With reference to the WTR – Waste Tariff Method, the new rules define TARI fees to be applied to users in 2020-2021, the criteria for the costs recognised in the current two-year period 2018-2019 and the reporting obligations.

As in other sectors subject to regulation, the new waste tariff method refers to ex-post data referring to certain accounting sources (financial statements) for the year Y-2 and applied to year Y (including indications of adjustments that permeate the entire algebraic structure of the method) and no longer to forecast data.

The new ARERA method applies a hybrid approach, borrowed from other service regulations like electricity and gas, with a different treatment of capital costs and operating costs. Namely:

- Capital costs recognised according to a scheme like rate of return;
- Operating costs with the application of incentive regulation schemes and the definition of efficiency targets on a multi-annual basis.

Furthermore, as already anticipated in the consultations, the method calls for tariff limits to revenue growth in addition to the introduction of four different schemes that can be adopted by local authorities and operators with respect to the objectives of improving service. More specifically, the method regulates the phases of the integrated waste service as identified: street sweeping and washing, collection and transport, treatment and recovery, treatment and disposal of municipal waste, tariff management and user relations.

With regard to the treatment and recovery and treatment and disposal phases, ARERA specifically established that the criteria for determining the fees to be applied to treatment and disposal plants will be evaluated in subsequent measures, indicating that pending such assessment (to be performed on the basis of the criteria referred to in article 1, paragraph 527, letter g) of Italian Law no. 205/17) for the 2020 TARI the fees for such activities will be applied as follows: a) in the presence of administered tariffs, the tariff approved and/or justified by the competent territorial authority; and b) in all other cases, the tariff charged by the operator of the plant determined as a result of negotiations.

In this first definition of the tariff method, ARERA maintained the algebraic structure of the method established by Italian Presidential Decree 158/1999, including tariff factors corresponding to additional components for the determination of the fees, some of which are as follows:

1. Limit to the overall growth of tariff revenues, with the introduction of a limit factor for annual variation that also takes into account efficiency gains and productivity recovery;
2. An asymmetric approach that in the valuation and calculations of individual cost components takes into account: 1. Service improvement objectives established at a local level and 2. the possible extension of the operational perimeter. These parameters determine the positioning of the individual operation within a tariff matrix, as follows;
3. Sharing factor in relation to revenues from the sale of material and energy from waste (between 0.3 and 0.6), and relative to CONAI revenues (between 0.1 and 0.4);
4. Introduction of an adjustment component for both variable and fixed costs, defined as the difference between the revenues relating to the variable and/or fixed cost components for the year Y-2 – as redefined by the Authority – compared to the tariff revenues calculated for the year Y-2. In the recognition of 2018-2019 efficient costs, this component is modulated through a coefficient of gradation and provides for the payment for the recovery of any deviations through a number of instalments, up to 4;
5. introduction of two different rates of return on net invested capital (WACC) for the service of the integrated waste cycle and a differentiated rate of return for the enhancement of current assets. Regarding the WACC of the integrated waste cycle for the period 2020-2021, it is defined as 6.3%. To this value is added a 1% increase to cover the costs arising from the time lag between the year of recognition of investments (Y-2) and the year of tariff recognition (Y), known as the time lag.

In order to take account of the different initial territorial conditions, as previously with the water sector, the Regulator has introduced a methodology that defines the criteria for the quantification of tariffs within an asymmetrical regulation, where there are four different types of tariff schemes under which each competent entity can identify the most effective solution depending on its objectives of quality improvement and management development currently applicable to operators in the first part of the integrated waste service chain, in particular to the phases of sweeping and washing roads and collection and transport.

The EFP (Economic and Financial Plan) remains the tool of reference for the development of the integrated cycle and for the calculation of TARI tariffs and is prepared by the “integrated waste system operator”, where it is also the Municipality, while “the operators who manage parts of the supply chain make their data available to those who prepare the EFP for the correct elaboration of the entire Plan”. With Resolution 57/2020/R/rif of 3 March 2020, “Procedural simplifications regarding the tariffs of the integrated waste service and the initiation of a procedure for verifying the regulatory consistency of the relevant determinations of the territorially competent authority”, with regard to the economic and financial plans and the fees of the integrated waste service, or of the individual services that constitute the operational activities, ARERA initiated a procedure aimed at verifying the regulatory consistency of the deeds, data and documentation required pursuant to Resolution 443/2019/R/rif, also establishing measures aimed at simplifying procedures (to reduce the administrative burden for those involved) and the strengthening (with a view to protecting users) of the guarantee mechanisms for overcoming cases of inertia.

With regard to the Integrated Text TITR - 444/2019/R/rif - Provisions on transparency in the management of urban and similar waste, it is specified that this text defines the provisions on transparency of the management of urban and similar waste for the regulatory period 1 April 2020 - 31 December 2023. The scope of the intervention includes the minimum information to be made available by the integrated cycle manager through websites, the minimum information to be included in collection documents (payment notice or bill) and individual communications to users concerning significant changes in operations. In response to the emergency that occurred starting March 2020 related to COVID-19, ARERA deferred the terms indicated in Annex A to Resolution 444/2019/R/REF (TITR) with Resolution 59/2020/r/com of 12 March 2020, as follows:

- From 1 April 2020 to 1 July 2020, the term by which the provisions concerning the minimum information to be provided to the user of the integrated urban waste management service shall apply;
- From 30 April 2020 to 31 July 2020, the term by which operators of collection and transport activities and operators of street sweeping and washing activities are required to submit relevant information to the operator responsible for tariff and user relationship management.

With Resolution 71/2020/A of 17 March 2020 “Memorandum of Understanding between the Regulatory Authority for Energy Networks and Environment and the Italian National Unification Body”, ARERA approved the conclusion of a Memorandum of Understanding between the Regulatory Authority for Energy Networks and Environment and the Italian National Unification Body - UNI aimed at the establishment of a collaboration with that Body for the drafting of guidelines, practices of reference and technical standards in the waste sector with regard to issues related to the quality of service, the criteria for measuring the quality and quantity of the separate collection of waste and the definition of standards on the Circular Economy, with particular reference to the reuse and recycling of waste.

Resolution 75/2020/R/com provided for the temporary suspension until 30 April of payments for electricity, gas, water and municipal waste for the 11 municipalities of the so-called red zone.

With resolution 102/2020, following the Cura Italia decree law postponing payment of Tari 2019 until 30 June, it requested all useful information from local authorities and urban waste managers to adopt measures aimed at mitigating the effects of the emergency situation on the economic/financial balance of the services, in order to ensure their continuity. The useful information includes: additional charges, impacted activities, tariff management, users most deserving of protection.

With the report of 23 April 2020, 136/2020/II/com, ARERA submitted for the assessment of the Government and Parliament some hypotheses for regulatory intervention in order to help mitigate as much as possible the difficult situation and any critical issues for end-users of electricity, natural gas, water and waste services arising from the COVID-19 epidemiological emergency. ARERA started gathering information from the territorially competent authorities and operators regarding the effects of the COVID-19 emergency on the waste cycle falling within the scope of the new tariff method. The analyses requested by the Authority are intended to define new measures aimed at mitigating the effects of the emergency situation on the economic and financial stability of the waste management services that will be the subject of subsequent measures.

With Resolution 158/2020/R/rif, the Authority intervened on the TARI by introducing a mix of measures aimed at supporting households and non-domestic users affected by the restrictions related to the COVID-19 emergency. In particular, three categories of users of the integrated waste management system were identified: non-domestic users subject to “COVID-19 emergency suspension” (article 1), to which a reduction in the variable part of the tariff must be applied according to the days of closure imposed by government measures; non-domestic users not subject to suspensions, for which municipalities and managers may provide for optional reductions in the tariffs commensurate with the smaller quantities of waste produced (article 2); finally, “vulnerable household users” (article 3), to which service managers may grant an optional tariff discount if they are eligible for the energy-water bonuses.

On 23 June Resolution 238/2020/R/rif was approved, which, following the aforementioned Resolution 136/2020/R/rif and consultation 189/2020/R/rif, confirmed the system of rules adopted last October on TARI and, following monitoring, introduced elements of flexibility and support in the waste sector that the territorially competent authorities (TCA) can use to manage the exit from the COVID-19 pandemic emergency phase. The TARI may be calculated taking into account the particularity of the current year and the effects of COVID on production. In defining tariff revenues in application of the rules envisaged by the Waste Tariff Method (WTM), territorially competent bodies may also consider specific forecast components that allow taking into account the expected deviations from the actual cost values of the year 2020 due to the management of the emergency. The territorially competent bodies that have applied a reduction in variable fees in support of non-domestic users (as per resolution 158/2020) may request a financial advance from the Cassa Servizi Energetici e Ambientali (CSEA) for an amount corresponding to the lower revenue recorded for the year 2020. The amount can be recovered in the tariff in the following three years. The Fund can be accessed – with a request for the financial advance to be submitted by 30 September 2020 – by all the territorially competent bodies that have applied the Waste Tariff Method, indicating the operators that have benefited from the requests and the elements of continuity of the service that have created the need.

As far as the publication of the four European directives is concerned, they provide for amendments to six European directives on waste, namely:

- Directive 2018/851/EU, amending the so-called mother directive on waste 2008/98/EC;
- Directive 2018/850/EU, amending the landfill directive 1999/31/EC;
- Directive 2018/852/EU, amending packaging directive 94/62/EC;
- Directive 2018/849/EU, amending the directive on end-of-life vehicles 2000/53/EC, the directive on batteries and storage 2006/66/EC and the directive on electrical and electronic equipment waste, so-called WEEE 2012/19/EU.

In short, the primary new development that these measures bring to environmental legislation concerns the percentages of separate collection to be achieved in the coming years, in particular up to 2035 (though establishing intermediate steps from 2020 to 2030 and from 2030 to 2035). In particular:

- Urban solid waste: the target is to recycle at least 65% by 2035, with intermediate stages of 55% by 2025 and 60% by 2030;
- Packaging: the goal is to recycle at least 65% by 2025 and 70% by 2030;
- Landfills: the objective is to limit the entry of waste into landfills to a maximum of 10% by 2035. To this end, Member States must endeavour to ensure that by 2030 all waste suitable for recovery or recycling – in particular municipal waste – is not landfilled, with the exception of waste for which landfilling is the best environmental option.

On the subject of landfills, the introduction of article 15-ter to the 1999 directive established that the Commission shall adopt implementing acts to determine the method to be used to determine the permeability coefficient of landfills locally and throughout the area. And the introduction of article 15-quater confers on the Commission the task of adopting implementing acts to develop a criterion for waste sampling (until the concrete enactment of this new method, Member States use the national systems currently in place);

- Separate collection of household waste: important changes are foreseen for the separate collection of household waste, such as textile waste, organic waste and hazardous household waste, not always collected separately at this time;
- Waste prevention measures: the directives explicitly provide that Member States must take a series of measures to prevent the production of waste upstream, such as domestic composting and the use of materials obtained from organic waste, to encourage the production and marketing of goods and components suitable for multiple use, and to provide financial incentives to encourage such virtuous behaviour.

These targets may be revised in 2024 (especially in view of the fact that they are considered excessively ambitious for some States that, for example, currently frequently use landfills). In this sense, the legislature has therefore provided that, recognising the significant differences in treatment between different States, it will be possible to grant an extension up to a maximum of 5 years for States that in 2013 prepared for reuse and recycled less than 20% of urban waste or landfilled more than 60% of urban waste).

Finally, the rewording of article 6 of Directive 98/2008/EC on the cessation of the qualification of waste (End of Waste) deserves a brief comment. In particular, with the new amending resolution, the European law requires Member States to take appropriate measures to ensure that where a substance or article meets the requirements for End of Waste it cannot be classified as waste.

More specifically, having regard to the competence of the European Commission to define the general criteria for the uniform application of End of Waste conditions, it is established that if the latter does not do so for certain types of waste, Member States may establish detailed EoW criteria for certain types of waste that must take into account all the substance's or object's possible adverse effects on the environment and human health and meet the EoW requirements of the directive. Such decisions must be notified to the Commission by the Member State.

Moreover, the same resolution also provides that Member States may decide on a case-by-case basis or take appropriate measures to verify that certain wastes have ceased to be such under the conditions set out in the directive, where necessary reflecting the EU EoW criteria and taking into account limit values for pollutants and all possible adverse effects on the environment and human health. Such decisions taken on a case-by-case basis need not be notified to the Commission.

Lastly, on the subject of EoW, of note is the amendment approved on 06/06/2019 and included in the decree referred to as the Re-Open Building Sites Decree (Italian Decree Law 32/2019, converted by Italian Law no. 1248). In particular, the rule establishes that pending the adoption of one or more decrees containing the EoW criteria for specific types of waste, ordinary permits for waste recovery plants must be granted on the basis of the criteria indicated in the measures governing simplified waste recovery (Ministerial Decree 5 February 1998, Ministerial Decree 161/2002 and Ministerial Decree 269/2005) "for the parameters indicated therein, for the parameters relating to the type, origin and characteristics of waste, recovery activity and characteristics of what is obtained from these activities". Ordinary permits must, on the other hand, identify the necessary conditions and requirements "regarding the quantities of waste admissible to the facility and to be subjected to recovery operations".

The Ministry of the Environment is authorised to issue specific guidelines "by decree not of a regulatory nature" for the uniform application of the regulations throughout the country.

Scenario of reference for ESG aspects (environmental, social, governance)

Sustainable development

Today, recovery from the pandemic is the central issue that shapes the lives and decisions of all members of society: families and individuals, workers and businesses, public and private institutions. Governing this phase in a resilient manner and containing the risks of aggravating inequalities among people and a lack of sustainability in development models is essential to finding solutions that truly allow the transformational change that can put us on a development path that is balanced, lasting and widespread. The focus of national and international institutions has been to put in place initiatives to protect people, both in terms of health protection and prevention and support for income capacity, designed precisely to build an overall sustainable system. These include European programming and financing instruments being defined that, contrary to what some observers feared, have asserted a preference for investments capable of ensuring a transition that is ecological, socially and territorially inclusive, digital and innovative. In this context, Acea is continuing to carefully monitor its sustainability plan, and given the strategic nature of the issue it has begun reflecting on how to define the opportunities deriving from the current scenario and its contribution to the creation of shared value.

Environmental and energy impacts

The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.

Consider for example energy generation where the repowering initiatives constantly act to modernise plants also by pursuing the lowest environmental impacts in terms of emissions, or the integrated water service where Acea's responsible management in resources starts from the provisioning stage, to make it available to people and ends with the commitment to restore the runoff to the receptacle body in the best condition possible.

Finally, the environmental services linked to waste management cannot be overlooked, where the commitment to the ecosystem regards both operating processes, just think about the environmental efficiencies brought in the innovative

project of the Ecobelt® WA belts in the waste to energy plant of San Vittore del Lazio, or the transformation of waste with a view to circular economy, as occurs with sludge treatment for water purification.

In keeping with the desire to operate while respecting and protecting the surrounding environment, Acea has already implemented a series of initiatives aimed at better managing the aspects of its activities that have a general impact on the environment and specifically on energy, also thanks to the use of advanced systems and technologies.

- Management systems: the widespread adoption of environmental and energy management systems is a concrete response on the importance of environmental dynamics for Acea and a managerial tool for continuous improvement in performance;
- Mobility management: a focus on the environmental impacts of corporate activities also concerns the effects produced by the movements of employees. In this context, the Acea Group has undertaken initiatives to reduce employee travel and to encourage less polluting means of transport;
- Carbon disclosure project (CDP): Acea publishes its initiatives, for over ten years communicating them to the international CDP organisation, which produces various annual online reports aimed at informing analysts and lenders about the levels achieved by companies in managing risks and opportunities related to the topic of climate change;
- green purchases: Acea has set itself the goal of increasingly developing Green Procurement for the relevant product categories included in the PAN (National Action Plan for Green Procurement);
- environmental conduct of the supply chain: Acea has committed to assessing its suppliers on an annual basis with regard to the environmental performance of the products/services supplied, and to inform/train contractors and subcontractors regarding the environment;
- Energy management: using energy management Acea Group promotes the improvement of the energy performance of plants and buildings by identifying and implementing best practices to reduce energy consumption and encourage the use of energy from renewable sources, in order to limit the excessive use of fossil fuels which are the source for most of the energy used and which are among the main causes of climate change.

Acea has included actions to combat climate change in its 2019-2022 Sustainability Plan, which includes both mitigation and adaptation actions and monitors the matter and related EU and international developments (the COP - Conference of the parties and European legislation). Environmental issues related to the array of services provided by the Group are included in the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/2001.

Development and technological innovation

Working with the "Innovation" organisational unit dedicated to innovation, the Innovation, Technology & Solutions function reports directly to the CEO and has the task of ensuring a model of innovation "as a service" for the Group through the adoption of processes and approaches typical of open innovation, with the involvement of internal and external stakeholders as defined by the Industrial Plan.

In this context, national and international partnerships have been established with the aim of strengthening Acea's position in the innovation ecosystem and identifying new business opportunities for the Group.

Various innovative solutions from innovative start-ups and SMEs are being continuously analysed and proof of concept experiments have been launched in collaboration with the Group's Industrial Areas to test valuable solutions for the Company, for example in the fields of artificial intelligence, virtual reality, social inclusion and image recognition.

Development of human capital

In Acea people are the most important resource. For this reason, they are constantly provided with the tools and skills necessary to respond effectively to the challenges of the business during the main stages of corporate life: selection, welcoming, training, rewarding and development.

Entrepreneurship, teamwork and action are the three driving values of our Leadership Model upon which the Group's initiatives are built to achieve the goals of the 2019-2022 strategic plan and the sustainability plan.

The Leadership Model, values and behaviours guide and contribute to defining an organisational setting that seeks to promote a constant development of human capital, recognised as a strategic asset for remaining competitive in a changing economic and social context.

The Human Resources Department is working on the skills and improvement of management processes and development of people in order to support the entire organisation in achieving company objectives and to enable everyone to achieve their potential.

The goal of enhancing people for the growth of the Group is broken down and carried out through three areas of activity:

- Professional development, management growth, training and development of skills through a process that, starting from hiring, uses onboarding, training and a performance assessment system to align behaviour with the Leadership Model and the values of the Acea Group in a constant development of human capital;
- Involvement of people in the Group's identity through specific initiatives designed to promote employer branding, making Acea increasingly attractive for new talent;
- Inclusion and organisational well-being, with the launch of initiatives aimed at making work increasingly "smart" and boosting motivation, potential and satisfaction of personnel, as well as the well-being of employees, recognising the strategic value of diversity, health and the safety of workers.

Sustainable management of the supply chain

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, Acea is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that limit environmental impact and foster initiatives aimed at minimising waste, reusing resources and protecting the social aspects involved in the procurement of goods, services and works defined and used to meet its needs.

Indeed, for several years Acea has been using the Minimum Environmental Criteria, in its calls for tenders including even rewarding aspects that are not mandatory but often decisive in ensuring the maximum achievement of the objectives set. Furthermore, it engages in the education of its own resources so that the purchasing choices tend toward goods or services with sustainable characteristics, thus stimulating the development of a specific sensitivity towards these aspects, with the aim of having them always present in supplier selection processes.

Acea has always been at the service of the community and the public and therefore puts a high priority on open exchanges with stakeholders and the supply chain to be increasingly efficient in responding to local demands.

Health and safety in the workplace

Acea carries out constant awareness campaigns on the subject, with the aim of profoundly affecting the widespread dissemination of a culture of safety involving all its employees. It has also implemented an advanced risk assessment model, not to mention control and mitigation measures. Acea has also launched a number of initiatives to raise awareness of and involvement in the issues discussed above with its contractors and sub-contractors, key business partners throughout the entire value chain.

Indeed, a health and safety at work initiative called "Acea Group Takes Care of You" was launched to offer a strong tool for preventing accidents.

More specifically, workshops were organised with Acea's Top Management during which the "Company Vision" on safety at work and the theoretical and practical tools to implement it were defined. Subsequently, internal "Ambassadors" were identified who, after participating in workshops specifically organised to frame their fundamental role for the effective achievement of the objectives, worked to disseminate the strategy and the "key messages" of the Vision through cascading sessions with all of the Group's operating personnel.

The parent company also set up a Group RSPP Coordination Committee with the aim of sharing the results of safety performance, experiences, good practices and sustainable solutions for the prevention of accidents in the company. The aforementioned Committee, which holds meetings quarterly, is another opportunity to share the corrective actions identified/implemented following safety performance analyses that have found deviations from the objectives set (e.g. worsening of the IFR/IG indices, repeated lack of compliance in the field, etc.).

A special H&S Dashboard was also prepared and has become a shared tool for the reporting of occupational health and safety performance.

Trend of Operating segments

Economic results by segment

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the financial years compared in observance of IFRS 8 accounting standards. Note that the results of the "Other" segment include those deriving from Acea corporate activities as well as inter-sectoral adjustments.

€ Million 30.06.2020	Environment	Commercial and Trading	Overseas	Water	Networks					Engineering and Services	Other		Consolidated Total
					Generation	Distribution	IP	Adjustments	Total		Corporate	Consolidation adjustments	
Revenues	99	738	34	595	41	282	25	(0)	348	35	59	(269)	1,638
Costs	72	708	20	289	17	100	24	(0)	142	30	77	(269)	1,070
EBITDA	26	30	14	305	24	181	1	0	206	5	(18)	0	569
Depreciation/amortisation and impairment	17	29	7	143	12	70	4	0	86	1	8	0	291
Operating profit/loss	9	1	7	162	12	111	(4)	0	120	4	(26)	0	277
Investments	9	17	1	229	8	132	2	0	141	3	10	0	411

The revenues in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method.

€ Million 30.06.2019	Environment	Commercial and Trading	Overseas	Water	Networks					Engineering and Services	Other		Consolidated Total
					Generation	Distribution	IP	Adjustments	Total		Corporate	Consolidation adjustments	
Revenues	98	788	23	503	44	271	23	(0)	337	33	58	(269)	1,571
Costs	65	757	15	259	18	102	23	(0)	144	27	72	(269)	1,069
EBITDA	34	31	8	243	25	168	(0)	0	193	6	(14)	0	502
Depreciation/amortisation and impairment charges	14	27	5	116	10	59	1	0	69	1	8	0	242
Operating profit/loss	19	4	3	127	16	109	(1)	0	124	6	(22)	0	260
Investments	11	19	4	168	6	126	2	0	133	1	7	0	342

Industrial Segments

Acea's macro structure is organised in corporate functions and six operating segments: Water, Networks, Commercial and Trading, Overseas and Engineering and Services.



Environment

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2020	30/06/2019	Change	% Change
WTE conferment	kTon	224	225	(1)	(0.2%)
Landfilled waste	kTon	15	18	(3)	(16.5%)
Contributions to composting plants	kTon	86	59	27	46.2%
Contributions to Selection Plants	kTon	32	0	32	n.s.
Intermediated waste	kTon	96	126	(30)	(23.8%)
Liquids treated at Plants	kTon	224	138	86	62.4%
M&A contributions	kTon	29	0	29	n.s.
Net Electrical Energy transferred	GWh	173	170	3	1.6%
Waste produced	kTon	72	65	7	11.0%

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	98.7	98.3	0.4	0.4%
Costs	72.5	64.8	7.7	11.8%
EBITDA	26.2	33.5	(7.3)	(21.7%)
Operating profit/(loss) (EBIT)	9.2	19.1	(9.8)	(51.6%)
Average headcount	566.7	373.5	193.2	51.7%

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	9.5	51.9	(42.4)	(81.8%)	10.6	(1.2)	(11.2%)
Net financial debt	286.7	256.5	30.2	11.8%	206.6	80.1	38.8%

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
EBITDA Environment Segment	26.2	33.5	(7.3)	(21.7%)
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	4.6%	6.7%	(2.1 p.p.)	

The Environment Segment closed the first half of 2020 with an EBITDA of € 26.2 million (-21.7%). This performance is mainly attributable to **Acea Ambiente** (- € 12.8 million) as a result of lower revenues from CIP 6 tariffs in 2019 (specifically, the scheme had been extended until 31 July 2019) for € 13.9 million, partially offset by higher volumes of composting treated and better tariffs, as well as the change in scope due to the consolidation of **Demap** (+ € 2.0 million), **Berg** (+ € 1.1 million), **Cavallari** (+ € 0.9 million), **Ferrocarril** (+ € 0.5 million) and **Multigreen** (+ € 0.2 million).

The average number of employees at 30 June 2020 was 566.7, an increase of 193.2 employees compared with 30 June 2019, due mainly to the change in the scope of consolidation (+172 employees). The further increase is due to **Acea Ambiente** (+18 units).

Investments in the area amount to € 9.5 million, down by € 1.2 million compared to the first half of the previous year, and mainly refer to: (i) works carried out at the plants in Aprilia, San Vittore and Sabaudia, (ii) works at the landfill in Orvieto. The change in the scope contributed to investments with an increase of € 1.0 million.

The financial indebtedness of the Segment stood at € 286.7 million, up by € 30.1 million compared to 31 December 2019, mainly due to the corporate acquisitions made during the period by **Acea Ambiente**, while the change in scope was € 1.9 million. The change of € 80.1 million compared to 30 June 2019 was mainly attributable to **Acea Ambiente** for € 67.0 million, while the change in the scope contributed to an increase of € 2.8 million.

Significant events in H1 2020 and later

As regards the single local units, it should be noted that:

Terni (ULI): during the year, the contractual planning for the delivery of pulper waste guaranteed the fuel requirements for the entire period. It should be noted that on 19 February 2020 the region decreed a non-substantial modification measure of the IEA adopted by DD no. 1314 of 17 February 2020 concerning the increase of the volumes authorised to discharge into public sewerage after appropriate treatment of industrial wastewater and run-off wastewater.

Paliano (UL2): on 19 June 2019 the results of the characterization activities were submitted to the Ministry, with a concurrent request for clearance for demolition of the former purification plant.

Based on an analysis of the above results, the Ministry of the Environment requested a communication to the Entities pursuant to art. 245 of Italian Legislative Decree no. 152/06 (breaches of legal limits by a party not responsible for the potential contamination).

Pursuant to article 245 of Italian Legislative Decree no. 152/06, on 3 September 2019 the aforesaid communication was sent to the various Bodies as requested by the Ministry of the Environment, and on 20 December 2019 the Ministry of the Environment sent the results of the sampling consultation carried out by ARPA Lazio, which substantially confirmed the results obtained by Acea Ambiente.

Based on the results of the sampling and analysis carried out by both Acea Ambiente and ARPA Lazio, and based also on what was reiterated by the Ministry of the Environment, the procedures that will make it possible to carry out treatments in situ are being verified. In parallel, sampling and analysis will be carried out on the remaining area of Castellaccio, already defined in the Ministry of the Environment's decree. At present, a procedure is under way to assign the characterisation activities of the remaining area of Castellaccio.

Finally, on 16 June 2020 the Municipality of Paliano issued a building permit for some demolition and reconstruction works consisting of the construction of the purification plant, the first rain tanks, the biofilter, the installation of a photovoltaic plant, a scrubber and the recovery/adaptation of the entire warehouse located there, damaged by a recent fire.

San Vittore del Lazio (UL3): the waste-to-energy plant is destined for the production of electricity from renewable sources, and in particular from SRF (Solid Refuse Fuel) produced by the treatment of urban waste from the territory of the Lazio Region. During the year the three lines of the plant guaranteed regular operation in terms of operating hours, which were more than expected. This was also made possible by the postponement of some scheduled maintenance, which was rescheduled to take into account the Orders related to the waste emergency in the Lazio Region and the COVID emergency. Although production was lower, revenues from electricity benefited from CIP6 tariffs until 13 July 2019. Revenues from electricity in H1 2020 were penalised by lower market tariffs.

It should be remembered that the San Vittore plant is now the only waste-to-energy plant on a regional scale and represents a strategic terminal for the waste chain.

Ordinance no. Z00003 of 27 November 2019, expiring on 15 January 2020, which followed the Ordinance of the President of the Lazio Region no. Z00001 of 5 July 2019 and Ordinance no. Z00002 of 30 September 2019, effective immediately ordered the San Vittore del Lazio waste-to-energy plant to operate at the maximum authorised treatment capacity on a daily basis in order to ensure the treatment phase of the waste management cycle, and to postpone scheduled maintenance, with unavoidable effects on operating conditions.

In March 2020 the European tender was awarded, published on 11 December 2019, to assign the service of recovery and/or disposal of slag, ash and RSP produced by the plant, divided into several lots. As it was not possible to award some of the aforementioned waste lots, searches were launched for alternative destinations.

Following the launch of the VAS procedure for the new Regional Waste Plan on 6 August 2019, Acea Ambiente submitted comments aimed at better configuring the fourth line that the Waste Plan envisages for the San Vittore site. At the end of 2019, the Regional Council submitted a proposal for approval to the Lazio Regional Council confirming the scheduling of a fourth line at the San Vittore del Lazio site for an additional capacity of 50,000 tonnes/year of sewage sludge. In Q1 2020 the technical activities for the development and design of the fourth line were therefore launched, including the assessment for the purchase of new land adjacent to the current operations to be used for the project.

On 19 May 2020 Acea Ambiente submitted to the Lazio Region and the Municipality of San Vittore del Lazio the results of its compliance with the authorisation requirements referred to in the authorisation order pursuant to Decree no. G06936 of 17 May 2017, including the results of the epidemiological assessment and investigations of persistent pollutants in the soil in the territory where the plant is located. The Municipality of San Vittore on 4 June 2020 sent a note to the Bodies and to the Company with some observations and requests for further information. On 14 June 2020 Acea Ambiente provided a first set of counterarguments to the Municipality's observations.

Orvieto (UL4): during the period, the supply of non-hazardous urban and special waste continued, implementing the recovery and disposal activities according to the terms provided for therein. During the period under review, the Orvieto hub was involved in three construction projects: (i) construction of the front capping of step 9 of the landfill in operation, whose works were awarded in September 2019, delivered on 10 February 2020 and started on 12 March 2020; (ii) construction of the storage shed and, (iii) compost maturation and construction of the rainwater collection tank, referred to in Decree no. 7019 of 5 July 2020.

In the second quarter of this year, following a fire at the waste sorting plant of ASM Terni, the Orvieto hub was used by AURI to treat undifferentiated waste managed by ASM.

In order to allow the revamping of the MSW treatment plant located in Ponte Rio (PG) owned by Gesenu, AURI determined that during the period covered by the works undifferentiated waste destined for this plant would be treated at the Orvieto hub. This treatment was scheduled for the second half of the year for an estimated period of about three months.

Monterotondo Marittimo (UL5): in March 2020, the revision of the new PM&C was sent for final approval, which transposed the provisions of ARPAT's technical contributions of November 2019 and February 2020, given as part of the non-substantial modification procedure initiated by Acea Ambiente in July 2019. By virtue of this procedure, the new IEA was published on the website of the Tuscany Region with the new monitoring and control plan (adoption no. 8675 of 12 June 2020), which is currently being transmitted through SUAP.

Sabaudia (UL6): with regard to the composting section of the Sabaudia plant, the Integrated Environmental Authorisation issued by the Lazio Region on 1 December 2008 is still being renewed. In any case the IEA was formally extended by the Lazio Region pending the conclusion of the authorisation process. During the IEA review process, the Province of Latina requested the acquisition of the water authorisation. Acea Ambiente obtained the authorisation under the PAI from the Lazio Region and a favourable opinion for the water concession of areas belonging to the water/fluvial state property from the Consorzio di Bonifica dell'Agro Pontino.

On 27 November 2019 the Province of Latina issued the state concession/authorisation for water alone.

In order to comply with the requirements of the state concession, it will be necessary to carry out certain projects that will make it necessary to temporarily interrupt waste management in order to avoid interfering with the work. A suspension of deliveries was implemented starting 31 October 2019. Operationally, with the temporary suspension of the deliveries, the last composting cycles have ended in the half year in question and therefore the work necessary to comply with the requirements of the Water Opinion can now begin, which is expected to take at least 9-10 months.

The tender procedure was completed and the aforementioned works for the adaptation of the plant to the requirements of the Consorzio di Bonifica Agro Pontino were assigned following verification of the adequacy of the tenders. The works were delivered to the company on 24 June 2020.

Pending the resumption of plant activity in its new configuration, scheduled for January 2024, all UL6 Operating Personnel were progressively transferred to the UL7 composting plant in Aprilia, with the last movements taking place on 15 June.

Aprilia (UL7): The plant is authorised for operation with an Integrated Environmental Authorisation issued by the Lazio Region with DD no. G08408 of 7 July 2015 and subsequent amendments.

On 14 December 2017 an emergency preventive seizure order was issued for the entire composting plant currently in operation due to the results of an inspection by the controlling authorities that found the presence of potent miasmas emitted by the production.

On 20 December 2019, once all technical and administrative activities were completed with the grid operator, the first parallel with the electricity grid was carried out. The plant thus formally commenced operations on that date.

Start-up began in 2020 and will end with the commissioning and functional testing.

In the first months of operation of the new section, some management problems arose that led the Company to find disposal spaces at authorised plants that, due to force majeure (COVID-19 emergency) the contractor justified by the departure of some Operating Personnel from the site. This has inevitably led to delays in the start-up and testing phases of the plant and the loss of production, resulting in considerable economic damage.

With the end of the lockdown activities resumed with greater continuity and the presence of personnel, but for the moment the contractor has still not been able to conclude the commissioning of the plant and the start of testing. On 5 June, also following some episodes that indicated a superficial approach by the Contractor, a warning was sent to comply with the ATI, giving it 30 days to resolve the various problems and to bring the plant to a point where commissioning could be commenced.

In contrast, the existing plant section is operating continuously, partially compensating for the limitations of the new plant line.

Bioecologia: the company carries out purification, treatment and intermediation of liquid waste in the plants located in Le Biffe, Pianino and ex Comova. During the year, the services provided for in the contracts entered into with the operators of the integrated water service for the purification of urban wastewater in the Municipalities of Chiusi, Buonconvento and Colle di Val d'Elsa were regularly carried out, performing the treatment of special non-hazardous waste at the Chiusi Scalo and Buonconvento plants in compliance with the IEA's requirements. During the six-month period, the technical management of the plants and the performance of the purification and waste treatment services have undoubtedly been facilitated by the recent supply of new machines for the mechanical pre-treatment of waste and by the priority restoration works carried out during 2019, but unfortunately they are still strongly penalised by the operation of the mechanical dehydration section of the sludge and the chemically active waste treatment section, the upgrading of which was planned in 2020 and whose design is currently under way. Since these projects can be classified as modifications that must be previously authorised during the IEA review phase, the start of works is only foreseen after the conclusion of the authorisation investigation.

In compliance with the provisions of the Arpat inspection report of 31/01/2020, in February the actions to mitigate the odorous emissions potentially present in the Chiusi Scalo plant were defined.

With regard to the volumes of waste treated at the Chiusi Scalo plant, the quantity processed during H1 2020 was 31,251 tonnes. In spite of the operational difficulties related to the adoption of the measures put in place to mitigate the risk of contagion, it should be pointed out that during the six months the service for the receipt of liquid waste was never interrupted, also ensuring the maintenance of the urban waste water purification service in the Municipality of Chiusi.

Aquaser: mainly operates, as a joint venture, as a waste intermediary with its Customers/Shareholders belonging to the Acea Group. During the period of reference, the company consolidated its market position by strengthening its transport activities through the acquisition of vehicles and personnel that now allow the management, at least partially, of the corresponding services.

Aquaser currently wholly or partially performs the service of loading, transport and recovery/disposal of waste from water purification for the companies of the Acea Group. It also manages individual orders related to the service of loading, transportation and recovery/disposal of waste or soil improvers for the company Acea Ambiente, as well as other ancillary activities on behalf of third-party customers (mainly transport services). The recovery activities are carried out through

energy recovery, conditioning or composting plants of third parties, and in part at the plants of the parent company, while disposal activities are almost all carried out at treatment plants/landfills of third parties.

Iseco: operates in the Water Business, whose main activities are the management, maintenance and construction of plants, and the Milk - Dairy Business, whose main activities are the production of whey powder and the sale of related products for zootechnical and food use and the processing of seroderivatives on behalf of third parties.

Acque Industriali: through the management of specific platforms, provides intermediation and liquid waste treatment services to private companies operating both regionally and nationally, as well as activities collateral to those of the integrated water cycle consisting mainly in the recovery and disposal of biological sludge.

The Company carries designs and builds plants mainly related to the treatment of wastewater and sludge and waste in general, as well as the treatment of atmospheric emissions, following up with their subsequent ordinary and extraordinary management, as well as carrying out design, direction and execution of works in the field of environmental remediation of polluted sites, mainly in the industrial sector. It also performs research and development in the sectors of reference in partnership with research bodies at both a regional and national level.

Demap: carries out its activity in the field of sorting plastic packaging from urban waste collection. It is one of the 30 or so Selection Centres that have an agreement with the Corepla consortium, established by law pursuant to Italian Legislative Decree 22/97 and now regulated by Italian Legislative Decree 152/06, responsible for achieving the recycling and recovery targets for plastic packaging of consumed products.

Separate collection of plastic packaging is regulated at a national level by a framework agreement between Anci and Conai and by the technical annexes concluded between Anci and the individual value chain consortia which, in the case of plastic packaging, provide that collection may be transferred to the sorting centre either selectively (mono-material collection) or jointly (multi-material collection). Demap carries out its business in compliance with current regulations and is authorised under Italian Legislative Decree 152/06 with procedure issued by the Province of Turin no. 133-25027/2010 of 23 June 2010.

During the six-month period, Seruso also provided 365 tonnes of lightweight multimaterial packaging outside the Regional Memorandum of Understanding but always in compliance with the same prerogatives of efficiency, effectiveness and transparency.

In the first half of the year a total of 32,266 tonnes of materials were received, an increase of 9.14% compared to the same period of the previous year. The largest increase was recorded in the contributions of multimaterial collections (+23%) due to the contract signed with the CISA consortium in H2 2019, while the volumes from single-material collections remain almost unchanged.

Berg: operates in the environmental services sector and in particular in the treatment of liquid and solid waste. Pursuant to article 2428 of the Italian Civil Code, it should be noted that the activities are carried out at the Frosinone plant, where the Storage and Treatment of Hazardous and Non-Hazardous Liquid and Solid Waste is carried out.

As in 2019, again in H1 2020 the plant confirmed its structural solidity by processing a quantity of liquid waste that was almost equal to the amount authorised.

Ferrocarr, Cavallari and Multigreen: April saw the completed acquisition of 60% of the capital of the companies Ferrocarr Srl and Cavallari Srl (which holds 100% of Multigreen Srl), engaged in the storage, treatment and selection of waste. These companies, which own four plants with a total authorised capacity of over 145,000 tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals. They are also active in the management of the separate collection of production and packaging waste as well as in the disposal of waste, mainly on behalf of Corepla ("National Consortium for the Collection, Recycling and Recovery of Plastic Packaging"). The economic value of the transaction, in terms of enterprise value for 100% of the companies, is € 25 million.

Commercial and Trading

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2020	30/06/2019	Change	% Change
Electrical Energy sold - Free	GWh	2,351	1,998	353	17.7%
Electrical Energy sold - Protected	GWh	1,017	1,136	(119)	(10.5%)
Electricity - Free market customers (P.O.D.)	N/000	414	347	67	19.3%
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	766	813	(47)	(5.8%)
Gas Sold	MSmc	90	83	7	8.7%
Gas - No. Free Market Customers	N/000	198	179	19	10.6%

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	737.6	788.4	(50.8)	(6.4%)
Costs	707.8	757.2	(49.4)	(6.5%)
EBITDA	29.8	31.2	(1.4)	(4.5%)
Operating profit/(loss) (EBIT)	1.1	3.8	(2.7)	(71.0%)
Average headcount	467.5	471.0	(3.5)	(0.7%)

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	17.4	42.5	(25.2)	(59.2%)	18.5	(1.2)	(6.3%)
Net financial debt	(45.5)	(53.2)	7.7	(14.5%)	(15.1)	(30.4)	n.s.

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
EBITDA Commercial and Trading Segment	29.8	31.2	(1.4)	(4.5%)
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	5.2%	6.2%	(1.0 p.p.)	

The Segment, responsible for the management and development of electricity and gas sales and related customer relationship activities as well as the Group's energy management policies, closed HI 2020 with an EBITDA of € 29.8 million, down compared to 2019 by € 1.4 million. The reduction is mainly attributable to **Acea Energia** (- € 0.7 million) and **Umbria Energy** (- € 0.8 million).

With regard to the effects on the primary margin, the reduction recorded by **Acea Energia** derives from opposing effects. In detail, the energy margin related to the **free market** recorded an improvement of € 2.0 million compared to 30 June 2019, mainly due to the largest customers managed in the mass market segment, despite the negative impact of the COVID-19 health emergency in March-June which resulted in a significant reduction in the consumption of Business customers (micro, large and top) and higher imbalance charges. The **gas market** increased by € 1.9 million compared to 30 June 2019 due to the combined effect of a higher number of customers managed and higher margins in the mass market segment. The energy margin concerning the **optimisation** of energy flows has increased compared to the same period of the previous year (+ € 0.5 million). This margin also includes the activities of buying, selling, exchanging and trading electricity, heat, natural gas, methane and other fuels and energy carriers, from any source produced or acquired, for own use or for third parties. Conversely, the energy margin relating to the **standard market** decreased by € 4.3 million compared to 30 June 2019, mainly due to the revision of the value recognised for the mechanism for offsetting arrears as defined by ARERA Resolution no. 100/2020 of 26 March 2020, and for the remainder both for minor customers served and for the updating of the tariff components for the remuneration of sales established by ARERA Resolution no. 576/2019 of 27 December 2019.

Operating income recorded a reduction of € 2.7 million mainly attributable to **Acea Energia**'s increased provisions for the period, attributable to supplementary and meritocratic indemnities to be paid to agents and to the commitment made by the company to pay CSEA as a reimbursement to the system with reference to the procedure aimed at ascertaining violations of the regulation of the financial items relating to electricity destined for Vatican City State.

With reference to the workforce, the average number at 30 June 2020 stood at 467.5 employees, slightly down compared to 30 June 2019 by 3.5 employees.

Investments in the Segment amounted to € 17.4 million, a decrease of € 1.2 million, and mainly refer to € 8.7 million for the cost of acquiring new customers in accordance with IFRS 15, € 7.2 million for IT implementation projects and € 1.4 million related to cloud licences on which the new CRM (Customer Relationship Management) is being designed.

Net debt at 30 June 2020 stood at € 45.5 million, a decline of € 7.7 million, mainly due to **Acea Energia** (€ 6.2 million) and the dynamics of operating cash flow influenced by lower receipts during the COVID-19 emergency. The change of € 30.4 million compared to 30 June 2019 was attributable to **Acea Energia** for € 41.9 million, partly offset by the change of € 11.1 million recorded by **Acea Energy Management**.

Significant events in H1 2020 and later Energy Management

Acea Energia carries out the necessary "Energy Management" activities for the Group's operations, with particular regard to sales and production activities. The Company also liaises with the Energy Market Operators (GME) and with TERNA. In relation to the institutional entity Terna, the Company is the input Dispatch User for Acea Produzione and other companies in the Group. It performed the following main activities in the period:

- the optimisation and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant,
- the negotiation of fuel procurement contracts for the power generating plants,
- the procurement of natural gas and electricity for the sales company to sell to end customers,
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies' risk profile.

In H1 2020 Acea Energia purchased electricity from the market for a total of 4,424 GWh, of which 4,081 GWh through bilateral contracts and 344 GWh through Borsa, for resale to end customers of the free market and for the optimisation of energy flows and the purchasing portfolio.

Transfer of Water Customer Care Branch

On 24 June 2020, the deed of Transfer to Acea Ato 2 of the business unit relating to the activities carried out for companies operating in the water sector ("Water Customer Care Branch") was formalised with effect from 1 July 2020.

Following the sale of the business unit, a total demerger was also envisaged to transfer the business units relating to the activities carried out for companies operating in the energy sector and minor services respectively for Acea Energia (Free Market and Standard Market) and areti (Acea Produzione, Acea Centralino and areti-Gestione Illuminazione Perpetua).

The total Demerger operation involves the transfer of all Acea8cento assets, including resources and related assets, to the Beneficiary Companies with effect from 1 August 2020.

Electricity distribution

As far as the sales market is concerned, the retail portfolio continues to grow and the quality of service improved.

In the first half of 2020, Acea Energia sold a total of 1,012 GWh electricity on the Enhanced Protection market, a decrease of 10.9% on a trend basis. The number of withdrawal points totalled 755,721 (801,401 at 30 June 2019). The sale of electricity on the free market amounted to 2,133 GWh for Acea Energia and 218 GWh for Umbria Energy, for a total of 2,351 GWh, with an increase compared to last year of 17.7%, primarily related to the B2B segment.

In addition, Acea Energia and the other sales companies of the Group sold 89.8 million Sm³ of gas to end customers and wholesalers which involved 198,359 re-delivery points, while at 30 June 2019 they were 179,328.

With regard to the proceedings started by the Antitrust Authority and ARERA, the main updates are described below:

Proceeding PS9815 of the AGCM for unsolicited activations: on 15 May 2019 the EU Court of Justice ruled on the preliminary ruling of the Lazio Regional Administrative Court, stating that: **(i)** there is no conflict between the directives on unfair commercial practices and on remote contracts (29/2005 and 83/2011) and the sectoral directives (72/2009 and 73/2009); **(ii)** in the energy sector it is also possible to apply the general discipline for the protection of consumers (with consequent competence of the AGCM, pursuant to art. 27, paragraph Ibis, of the Consumer Code). In accordance with Directives 2009/72 and 2009/73, it follows that ARERA is not competent to sanction such conduct. On 28 February 2020 Acea Energia received a communication that the Lazio Regional Administrative Court set a public hearing for 20 July 2020 at which Acea Energia's appeal for the annulment of the fine will be discussed.

Proceeding A513 of the AGCM for abuse of dominant position: on 17 October 2019 the Lazio Regional Administrative Court issued sentence no. 03306/19, which upheld the appeal brought by Acea SpA and its subsidiaries and, as a result, annulled sanction measure no. 27496 of 20 December 2018 that found that Acea SpA and its subsidiaries had abused their dominant position in violation of art. 102 of the TFEU, which had led to the imposition of an administrative fine of € 16,199,879.09.

On 17 January 2020 the notice of appeal was served by the Authority, represented and defended by the Attorney General's Office, asking the Council of State to annul and/or overturn sentence no. 11960/2019 handed down by the Lazio Regional Administrative Court, and as a result reject the companies' request in 1st instance.

On 14 February 2020 the cross appeal was filed with the restatement of the grounds of appeal that were taken up by the judgement of first instance. More specifically, in the first part the appeal focuses on the sole ground of appeal rejected by the Lazio Regional Administrative Court concerning the lack of investigation regarding the definition of the relevant market; in the second part, it proposes – thus covering them in full – the fourth to seventh grounds of the appeal that the Regional

Administrative Court declared “absorbed”, having considered sufficient the acceptance of the second and third grounds of the appeal for the annulment of the fine.

On 30 April 2020 Acea received a communication in which AIGET, on 23 April 2020, filed a formal instrument of incorporation in support of AGCM's appeal.

Proceeding PSI0958 of the Antitrust Authority (AGCM)

On 21 April 2020, the AGCM sent Acea Energia a request for information regarding “each commercial offer related to electricity and natural gas services, proposed to domestic users and micro-enterprises, starting from H2 2019 until Q1 2020”, in particular: i) copy of the technical and financial conditions - TFC - and the general conditions of supply - GCS - related to the aforementioned commercial offers, ii) number of contracts signed by domestic users and micro-enterprises for each commercial offer proposed in the period considered; iii) copy of promotional messages relating to the same commercial offers disseminated through the different communication channels (web, radio, TV, advertising brochures); iv) copy of the scripts used by sales agents in the same period (H2 2019 - Q1 2020) to propose the aforementioned commercial offers to customers, both via telesales and door to door.

On 23 April 2020, following the request, the Company sent the AGCM a communication in which, in view of article 103 of Italian Legislative Decree no. 18 of 2020 and the Bulletin on the interpretation of article 103 of Italian Decree-Law no. 18 of 17 March 2020, as amended by article 37 of Italian Decree-Law no. 23 of 8 April 2020, approved by the Board of Authorities at its meetings on 1 April and 10 April, it requested confirmation that the deadline for responding to the request for information was suspended and became effective only from 16 May 2020.

Following telephone conversations – in the absence of a formal response from the AGCM to the Company's aforementioned request – the Authority agreed to a postponed deadline for submitting the required documentation.

On 21 May 2020, Acea Energia therefore collected all the required documentation and submitted it to the AGCM, together with a response illustrating the criteria used to collect the documentation.

Fact-finding investigation concerning the financial items relating to electricity destined for the States within the Italian State: pursuant to resolution 58/2019/E/eel, on 20 March 2019 the Authority initiated a fact-finding investigation against Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for Vatican City State.

In accordance with this resolution and pending the conclusion of the aforementioned investigation, the Authority has specified to the Italian Energy and Environmental Services Fund that it should proceed on a transitional basis and subject to adjustment with the equalisation of the costs incurred by Acea Energia for 2017 for the purchase and dispatching of electricity intended for protected customers.

With Resolution 180/2019/C/EEL, the Authority decided to challenge the extraordinary appeal brought by the Azienda Autonoma di Stato per i Servizi Pubblici della Repubblica di San Marino for the annulment of Resolution 670/2018/R/eel (which updated the transmission tariffs for the year 2019) and Resolution 58/2019/R/eel.

Pending the conclusion of the investigation, the Authority asked the Cassa per i servizi energetici e ambiente – on a temporary basis and subject to adjustment – to suspend any disbursements relating to the equalisation of the costs incurred by Acea Energia for 2018 for the purchase and dispatching of electricity intended for standard market customers.

With Resolution no. 491/2019/E/eel the Authority closed the preliminary investigation by instructing Acea Energia and areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution 491/2019/E/eel, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals by Vatican City State by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result, the Authority initiated two sanction proceedings against Acea Energia and areti with resolution 5/2020/eel to ascertain possible violations of the regulation of the financial items relating to electricity destined for Vatican City State. Pursuant to the combined provisions of Italian Decree-Law no. 18 of 17 March 2020, Italian Decree-Law no. 23 of 8 April 2020 and resolution 74/2020/S/com, Acea Energia has submitted commitments pursuant to resolution 243/2012/E/com and is awaiting approval. Following the final approval of the commitments, the sanction procedure will be deemed closed without establishing the infringement.

Overseas

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2020	30/06/2019	Change	% Change
Water Volumes	Mm3	21	22	(1)	n.s.

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	33.8	23.0	10.8	46.8%
Costs	20.0	15.1	4.8	32.0%
EBITDA	13.8	7.9	5.9	75.0%
Operating profit/(loss) (EBIT)	7.2	2.5	4.7	186.4%
Average headcount	1,218.0	795.2	422.8	53.2%

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	0.9	7.0	(6.1)	(87.1%)	3.6	(2.7)	(74.9%)
Net financial debt	(7.0)	(4.5)	(2.5)	54.4%	5.9	(12.9)	n.s.

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
EBITDA Overseas Segment	13.8	7.9	5.9	75.0%
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	2.4%	1.6%	0.9 p.p.	

The Area currently includes the water companies that manage the water service in Latin America. Specifically:

- Aguas de San Pedro (Honduras), 60.65% owned by the Group as of October 2016, when it was consolidated using the line-by-line method. The Company serves its customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic) wholly owned by the Group, provides the service to the local Municipality known as CAASD (Corporation Aqueducto Alcantariado Santo Domingo);
- AguaAzul Bogotá (Colombia) of which the Group holds 51% is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors;
- Consortio Agua Azul (Peru) is controlled by the Group which owns 44% and provides the water and discharge service in the city of Lima. Control of the company was taken by virtue of the amendment of the shareholders' agreements and the purchase 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%);
- Acea Perù, wholly owned by Acea International and established on 28 June 2018. This company was established with the specific intent to manage the aqueduct service in the city of Lima.
- Consortio Servicio Sur controlled by Acea International (50%), Acea Ato 2 (1%) and by local partners Conhydra, Valio and India overall equal to 49%. The Consortio was established on 5 July 2018 with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru).

This Segment closed HI 2020 with an EBITDA of € 13.8 million, an increase of € 5.9 million compared to 30 June 2019. The change is mainly due to the consolidation of **Consortio Agua Azul** (+ € 4.4 million) and to the higher revenues recorded by **Acea Perù** for the start of operations (+ € 0.8 million).

The average headcount at 30 June 2020 stood at 1,218.0 units and was up by 422.8 compared to 30 June 2019, mainly attributable to **Acea Perù** (+ 437 units).

Investments for the year amounted to € 0.9 million, down by € 2.7 million. The reduction is mainly due to lower water investments in **Aguas de San Pedro**.

Net debt at 30 June 2020 amounted to € 7.0 million, an improvement of € 12.9 million compared to 30 June 2019, mainly due to **Aguas de San Pedro** (- € 2.2 million) and the consolidation of **Consortio Agua Azul** (- € 9.7 million). The change in improvement compared to 31 December 2019 is mainly due to **Aguas de San Pedro** (- € 0.8 million) and **Acea Perù** (- € 0.8 million).

Significant events in HI 2020 and later

No significant events are reported during the period observed.

Water

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2020	30/06/2019	Change	% Change
Water Volumes	Mm3	271	251	20	8.0%
Electrical Energy Consumed	GWh	332	259	73	28.2%
Sludge disposed of	kTon	85	47	38	80.8%
Gas Delivered	m3	35,107,804	37,159,301	(2,051,497)	(5.5%)
Gas no. active users	No.	62,061	61,960	101	0.2%
White certificates	No.	7,190	7,974	(784)	(9.8%)

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	594.5	505.5	89.1	17.6%
Costs	289.1	261.4	27.7	10.6%
EBITDA	305.4	244.0	61.4	25.2%
Operating profit/(loss) (EBIT)	162.1	127.3	34.7	27.3%
Average headcount	3,208.7	2,672.3	536.3	20.1%

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	229.2	380.1	(150.9)	(39.7%)	168.3	60.9	36.2%
Net financial debt	1,417.1	1,286.5	130.6	10.2%	1,178.9	238.2	20.2%

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
EBITDA Water Segment	305.4	244.0	61.4	25.2%
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	53.7%	48.6%	5.2 p.p.	

The EBITDA for the Segment stood at € 305.4 million at 30 June 2020, an increase of € 61.4 million compared to 30 June 2019 (+ 25.2%).

The increase is largely due to **Acea Ato 2**, which recorded an increase of € 24.0 million mainly due to the effects related to the tariff increase determined following the ARERA Resolution no. 580/2019/R/IDR - MTI-3, which for 2020 marks the beginning of the third regulatory period (four years 2020-2023) (the increase in revenues is equal to + € 38.1 million) offset in part by the eliminated effects of the commercial quality bonus (- € 16.8 million) compared to the same period of last year. In fact, the third regulatory period (four-year period 2020-2023) is also marked by the elimination of the bonus for contractual quality, since this year significant provisions of ARERA issued in previous years will apply, with particular reference to the regulation of contractual and technical quality as well as late payments. The increase was also attributable to the change in the scope of consolidation following the full consolidation of AdF from 7 October 2019 (+ € 27.2 million). Also noteworthy are the increases recorded by **Acea Ato 5** for € 2.6 million and by **Gori** for € 5.2 million due to higher income from the IWS and higher capitalisation of personnel. For more information on ARERA provisions on the new tariff method, reference should be made to the section on Water Regulations. Finally, the contribution to EBITDA of water companies valued at equity amounting to € 15.8 million decreased by € 2.1 million due to the combined effect of the full consolidation of **AdF** (- € 2.6 million) and from the decrease recorded by **Publiacqua** (- € 2.6 million) offset by the increase recorded by the **Acque Group** (+ € 2.5 million) due to the result at 30 June 2019, negatively affected by the unwinding of the loan. The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

(€ million)	30/06/2020	30/06/2019	Change	% Change
Publiacqua	6.6	9.1	(2.6)	(28.0%)
Acque Group	6.1	3.6	2.5	67.2%
AdF	0.0	2.6	(2.6)	(100.0%)
Umbra Acque	1.1	1.5	(0.4)	(27.8%)
Nuove Acque and Intesa Aretina	1.7	0.4	1.3	ns
Geal	0.3	0.6	(0.3)	(45.8%)
Total	15.8	17.9	(2.1)	(134.5%)

The quantification of revenues for the period deriving from the integrated water service is valued in line with the new MTI-3 method. The item includes the estimate of the tariff adjustments relating to the so-called carry-over items for the period that will be invoiced as from 2021. The following two tables in the section summarise on the one hand the status of the procedures for approving tariff proposals and on the other hand revenues from the IWS, broken down by company and component, as well as the considerations underlying the determination of revenues for the period.

The operating result was affected by the growth in amortisation and depreciation (+ € 19.8 million), mainly due to the consolidation of **AdF** (+ € 13.0 million) and the remainder to the higher amortisation and depreciation recorded by **Acea Ato 2**, also due to the entry into operation of the new plants (+ € 5.3 million).

The average headcount at 30 June 2020 increased by 536.3 units, mainly attributable to the consolidation of **AdF** (+ 402 units).

Investments in the area amounted to € 229.2 million, an increase of € 60.9 million, attributable to higher investments recorded by **Acea Ato 2** for € 29.1 million, by **Acea Ato 5** for € 3.8 million, by **Gori** € 10.5 million and € 15.5 million to the consolidation of **AdF**. The investments in the Segment mainly refer to the reclamation and expansion of the water and sewer pipes of the various municipalities, the extraordinary maintenance of the water centres, the work on the purifiers and the transport systems (connectors and feeders).

The financial debt of the Segment stood at € 1,417.1 million as at 30 June 2020, a worsening of € 130.6 million compared with 31 December 2019, mainly due to **Acea Ato 2** for € 126.9 million and the dynamics of operating cash flow. The deterioration of the financial position compared to 30 June 2019 of € 238.2 million was influenced by the consolidation of **AdF** (+ € 85.9 million) and the remainder was attributable to **Acea Ato 2** (+ € 141.3 million).

Significant events in HI 2020 and later

Lazio - Campania area

Acea Ato 2

The Integrated Water Service in OTA2 Central Lazio - Rome started on 1 January 2003. The management of the OTA Municipalities took place gradually and the Municipalities currently managed are 79 compared to 112 of the entire OTA. The following table shows the overall situation in the territory managed, which has not changed compared to the previous year.

Acquisition situation	No. of Municipalities
Municipalities that declared they do not wish to be part of the Integrated Water Service*	7
Municipalities with Protected Entity	1
Municipalities fully acquired into the Integrated Water Service	79
Municipalities partially acquired, for which Acea Ato 2 provides one or more services:	18
Municipalities to be acquired	7
* Municipalities with less than 1,000 inhabitants which had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.	

The Company provides the full range of **drinking water distribution** services (collection, abstraction, retail and wholesale distribution). Water is drawn from springs on the basis of long-term concessions.

Water sources supply approximately 3,900,000 residents in Rome and Fiumicino and in more than 61 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes.

Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.

As at 30 June 2020, Acea Ato 2 manages a total of approximately 6,852 kilometres of sewerage network, 632 sewerage pumping stations - of which 195 in the Roma Capitale area - and a total of 162 waste treatment plants - 32 of which in the Roma Capitale area - for a total quantity of treated water equal to 258 Mmc (data referring to managed treatment plants only).

The company manages the waste treatment system and pumping stations that serve the network and sewage trunk lines.

As of 30 June 2020, the six main purification plants had treated a volume of water equal to about 285 Mmc with a slight drop (4%) caused by the absence of rainfall, compared to what was treated in the same period of the year 2019 (295 Mmc).

HI 2020 was greatly influenced by the COVID-19 emergency, which particularly affected the availability of sites for the recovery/disposal of solid materials and their transport. In particular, shipments to Spanish plants were interrupted following the government lockdown, with a reduction of 9,000 tonnes/year of space available for sludge. This situation has led to the need to resort to a new exception by the Lazio Region for the extension of temporary storage and the request to the Ministry of the Environment to waive the limits on the discharge of the purification plants managed by Acea Ato 2. At the same time, in compliance with the requirements of the Lazio Region a series of initiatives were launched to reduce the solid matter produced, such as the rental of a mobile dryer at the Ostia purification plant and the construction of a sand recovery plant at the same purification plant.

The trend in the production of dehydrated and dried sludge in HI 2020 is in line with the same period of 2019, while liquid sludge shipments on behalf of third parties have been completely eliminated.

Overall, total sludge production decreased because thanks to the actions taken by the company the period of maximum criticality recorded in 2018 was handled and the concentrations of the plants returned to values that are closer to the average, resulting in a decrease in production compared to the same period in 2019.

Please note that revenues for HI 2020 totalled € 336.2 million and that this valuation was carried out in accordance with the criteria of ARERA Resolution 580/2019/R/idr.

Acea Ato 5

Acea Ato 5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the 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 OTA 5 region – Southern Lazio – Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are "outside the scope") for a total population of about 490,000 inhabitants, a population served of 470,000 inhabitants, with a service coverage equal to approximately 97% of the territory. The number of users is 200,434.

The drinking water system comprises supply, abstraction and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate.

The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals.

There are 220 sewerage pumping stations managed by the Company and 132 purification plants, including also those outside the OTA (Rocca d'Evandro and Conca Casale).

With regard to 2020, the digitisation of the networks of the managed area continued, with the inclusion of data in the GIS - Geographic Information System. According to the 2019-2022 plan for significant activities, as of 30.06.2020 5,716 km of the water supply network had been digitised (1,218 km of supply network and 4,498 km of distribution network).

With regard to significant events that took place during the year, it should be noted that:

Lazio Administrative Court appeal on termination of the Management Agreement

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 OTA 5 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.

Injunction order for payment of € 10,700,000 and counterclaim by OTAA 5 for concession fees

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 (Civil Judgement 1598/2012), 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 appeal (Civil Judgement docket no. 6227/17) against the sentence of the Court of Frosinone, which revoked the Injunctive Decree of € 10,700,000 initially issued by that Court, must be considered in connection with this judgement on the assumption of the nullity of the resolution of the Conference of Mayors no. 4/2007 and the Transaction Act adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself.

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 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 S.p.A. to the Court of Appeal of Rome (docket 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.

Updating of the concession fee

With resolution no. 1 of 26 March 2018, Conference of Mayors ordered that the payment of the instalments of loans taken out by Municipalities, from the second half of 2013 until the end of the Concession, shall be disbursed directly by the Operator. Consequently, with the tariff update ordered on 1 August 2018, by immediately implementing the provisions made by ARERA contained in the sanctioning measure DSAI/42/2018/idr, with regard, among other things, to the fees relating to unmanaged Municipalities, the mortgage component of the Concession Fee was adjusted in 2019 by adding the amount of the same specified in the annex to aforesaid resolution no. 1 of 26 March 2018. No adjustment of the mortgage component was implemented for the years 2013-2017, as Resolution no. 1 of 26 March 2018 did not imply any change to the amount of the mortgage component approved in the various tariff arrangements. In addition, any recalculation of loan costs (MTp) must be approved by the Conference of Mayors and must be included in the Economic and Financial Plan (EFP) of the next tariff update in view of the fact that, even at the time of approval of the tariff update 2018-2019, approved by the Conference of Mayors on 1 August 2018, nothing was established regarding the fees for the above years.

For the reasons set out below, the Company did not consider that the obligation to pay this difference to the Area Authority had failed, and therefore it did not reduce the provisions in its financial statements for concession fees:

- The aforementioned Resolution of the Conference of Mayors has made no provision for the difference;
- In compliance with the regulations in force, the quantification of the concession fees is the exclusive responsibility of the Area Authority and therefore any recognition of the difference (with consequent extinction of the relative obligation) can only take place following the revision of the tariffs for the years 2013-2017 and the relative Economic and Financial Plan (EFP) by the Area Authority;
- When reviewing the tariffs for the two-year period 2018-2019 and the related EFP, the Area Authority implemented the reduction in concession fees only as from 2018 (with a substantial reduction of about € 1,658 thousand in 2018), leaving those for the 2013-2017 years unchanged;
- For the 2013 financial year, the AGB had issued invoices to the Company for the difference between the concession fee resulting from the relevant tariff and the charges for the loans that the Operator had paid to the municipalities based on the aforementioned Resolution;
- The exact quantification of the concession fees for the aforementioned years and the assessment of their reallocation and treatment for tariff purposes was an open issue for both parties, so much so that it was referred to the Conciliation Board established between AATO 5 and the Operator, in accordance with the provisions of art. 36 of the Agreement.

It should also be noted that since it is a so-called "pass-through cost" in the tariff definition, i.e. charged as a tariff without any economic return for the Operator (a sort of collection on behalf of third parties), its effect is substantially neutral in the Operator's financial statements: it is recorded as revenue and at the same time and in equal measure as a cost. For this reason, even if the Company mistakenly did not fulfil its obligation to pay the difference and recognised out-of-period income as an adjustment to the amount due for the concession fee, it would have had to recognise out-of-period income of

the same amount following a reduction in the adjustments for the years 2013-2017, with clear economic effects that are insignificant from both a statutory and fiscal point of view.

It should be noted that on 27 November 2019 the aforementioned Conciliation Board submitted to the Company and to the Area Authority a specific Conciliation Proposal, with an attached deed still to be signed. In these documents, the Conciliation Board has, among other things, put forward a proposal to reduce the tariff adjustments claimed by the Operator by the difference of € 12,798 thousand between the concession fees approved in the various tariff arrangements for the years 2013-2017 and the amounts to be paid directly to the municipalities on the basis of Resolution no. 1 of 26 March 2018. This proposal for allocation to offset existing receivables confirms the Operator's indebtedness of this difference, corroborating the Company's decision not to release the related liabilities in its financial statements.

Conciliation Board with OTAA 5

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 OTAA5 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 OTAA5.

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:

1. Case pending before the Court of Frosinone, docket no. 1598/2012 on concession fees 2006-2011. This question consists in ascertaining that the aforementioned fees for the period 2006-2011 have been paid in full: while the Operator 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);
2. 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- of the concession fee;
3. Settlement of the dispute 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 Appeals (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;
4. Damage suffered by Acea Ato 5 as a result of delays in the delivery of services by the municipalities of Cassino, Atina and Paliano;
5. Handover of the ASI and Cosilam plants;
6. Penalties applied by AATO 5 against the Manager and annulled by the Latina Administrative Court by judgement no. 638/2017;
7. Interest for late payment of concession fees by Acea Ato 5;
8. Reconstruction of the 2012/2018 concession fees and request for the Operator's repayment plan to the Area Authority for the debt positions relating to the concession fee.

Subsequently, the following issues were further referred for the Board's assessments: the updating of the 2006-2011 adjustments and the non-invoicing of said adjustments due to corrections of 2012 volumes.

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 a preliminary activity 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 Chairman 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, with Note no. 2964, 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 AATO 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 AATO 5 and Acea Ato 5 and that, moreover, the Chairman 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.

To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents..

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's BoD had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to AATO 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the AATO 5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. Based on the information available as at 31 December 2019, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, at the end of 2019 the Company decided to recognise a provision of this amount.

We await the convening of the Area Council, in preparation for the Conference of Mayors.

Criminal proceeding no. 3910/18

With regard to criminal proceeding no. 3910/18 r.g.n.r. of the Public Prosecutor in the Court of Frosinone, on 2 January 2019 a preventive seizure decree was issued on 18 December 2018 by the Judge for Preliminary Investigations at the Court of Frosinone as part of criminal proceedings no. 3910/18 r.g.n.r., pending for the alleged violation of art. 4 of Italian Legislative Decree no. 74/2000 (inaccurate declaration). Pursuant to the aforementioned provision, the preventive seizure of financial resources in the accounts held in the name of Acea Ato 5 up to a value of € 3,600,554.51 was ordered. On 11 January 2019, a request for a review was filed, whose discussion hearing was scheduled for 1 February 2019 before the Court of Frosinone, as a unified bench. At the outcome of the aforementioned hearing in the Council Chamber, the Court of Frosinone upheld the proposed re-examination request and, as a result, cancelled the preventive seizure decree, ordering the restitution to the person entitled thereto. Based on the aforementioned restitution order, the Company sent a formal request to the Single Justice Fund for the restitution of the sums released. The restitution has been completed with the release of the sums by the Fondo Unico Giustizia.

ARERA sanctioning measure concerning IWS tariff regulation

With determination no. DSAI/42/2018/IDR of 21 May 2018, ARERA started a sanctioning procedure regarding the tariff regulation of the integrated water service, the result of the audit carried out by the ARERA in collaboration with the Special Energy Unit and the water system of the Guardia di Finanza from 20 to 24 November 2017 at the Company's offices.

On 4 July 2019, ARERA published Resolution 253/2019/S/IDR of 25 June 2019 imposing administrative fines on Acea Ato 5, pursuant to article 2, paragraph 20, letter c) of Italian Law 481/95, for a total amount of € 955,000.00 for violations alleged in Determination DSAI/42/2018/IDR. On 16 October 2019, the Company paid the entire penalty imposed on it.

On 3 October 2019 the Company filed an appeal with the Lombardy Regional Administrative Court against the aforesaid measure to have it thrown out, and to have the amount of the fine reviewed.

Moreover, following the submission of the appeal, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.

With regard to the appeal, as of today there is no information as to the date of the hearing. In any case, in response to a reminder of payment of the fine sent by ARERA on 16 October 2019, the Company paid the entire fine imposed on it.

AGCM sanctioning measure - Proceeding PS9918

On 5 July 2018, in implementation of the resolution adopted by the Italian Competition Authority on 27 June 2018, an audit took place at the registered office of the Company following the initiation of the proceeding pursuant to art. 27, para.

3 of Italian Legislative Decree no. 206 of 2005, as well as pursuant to art. 6 of the 'Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violations of consumer rights in contracts, unfair terms' (hereinafter Regulation). The proceedings were opened in response to reports made to the Authority by the Consumer Associations CO.DI.CI. and Federconsumatori Frosinone regarding alleged incorrect and aggressive behaviour towards consumers and small businesses by Acea Ato 5 S.p.A. in the period January 2015 - June 2018.

On 20 February 2019, the AGCM, with regard to the PS/9918 proceeding, announced that it had extended the deadline for the conclusion of the proceeding to 23 May 2019.

On 28 February 2019 the AGCM announced that it had extended the deadline for the conclusion of the preliminary phase of procedure PS/9918 – set at 20 March 2019 – with the simultaneous clarification of the high charges against the Company. Specifically, the Authority abandoned some of the initial disputes. On 20 March 2019 the Company filed a defence brief and supporting documentation, which will be remitted to the Board together with the other instructing documents for the adoption of the final order.

At the conclusion of the investigation procedure, on 4 July 2019 the Authority decided to confirm the existence of the three incorrect practices reconstructed during the inspection and imposed a total fine of € 1.0 million. On 3 October 2019 the Company filed an appeal with the Lazio Regional Administrative Court – registered under docket no. 12290/2019 section I – against the aforesaid sanctioning measure, requesting its cancellation with precautionary suspension. In the Chamber of Council of 6 November 2019 to discuss the request for precautionary suspension, the Regional Administrative Court of Lazio issued Order no. 7223 with which it rejected the application for precautionary suspension.

The decision of the Regional Administrative Court does not address the individual grounds of the appeal, which will only be ruled on at the hearing, yet to be scheduled. In particular, according to the administrative judge *"with regard to the extent of the financial penalty imposed and the feared consequences on the business activity, it does not appear to be extremely serious and urgent as per art. 119, paragraph 4 of the Italian Criminal Code for the granting of the requested precautionary protection, also taking into account the fact that the claimant company is in any case entitled to file a request for payment in instalments"*.

In view of the aforesaid decision, since the Company has the power to do so, on 3 December 2019 the Company submitted to the Authority a request for payment in instalments, which the Authority accepted on 21 January 2020. On 26 February 2020, a request for information was received from the AGCM pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms" regarding the effectiveness of the measures put in place by Acea Ato 5 following sanction no. 27798 of 5 June 2019, adopted at the outcome of the PS9918 preliminary investigation procedure.

On 17 March 2020, the Company responded to the aforementioned request – with note no. 0133871/2020 – which highlighted the improved pro-consumer management of the relationship with users.

In particular, the evidence submitted confirmed that:

- No requirements had been imposed by the Authority with regard to the verification referred to in Sanction Order no. 27798 of 5 June 2019. In fact, the Company had already improved its performance of the activities in question during the audit;
- The Company had for some time already implemented or modified its procedures – in compliance with current sector legislation – in order to best meet the changing needs of consumers, also to take into account the regulatory measures recently adopted by ARERA.

In light of these considerations and taking into account the data available to date, no relevant findings emerged with regard to the requests made by the Authority. Today we are awaiting the scheduling of the hearing on the merits.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairman of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairmen of the Company and the representatives of the control bodies in office in those financial years. Currently the proceedings are still pending during the investigation phase.

See also the additional information contained in the paragraph *"Information on services under concession"* and with reference to the proceedings Italian legislative decree no. 231/2001 in the paragraph of this *"Report on Major Risks and Uncertainties"*. Moreover, with reference to additional complex cases related to legal controversies, filed or being filed, between Acea Ato 5 and the Environmental Authority, see the *"Update on primary legal controversies"* paragraph of this document.

Notice of IRAP assessment and tax audits

On 3 January 2019 notice was served by the Revenue Agency - Dir. Prov. of Frosinone - Audit Office of a notice of assessment for IRAP for the year 2013. The Company has lodged an appeal. On 3 July 2019, a hearing was held at the Frosinone Tax Commission. 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.

During 2019, the Italian Tax Police also continued its audit of income taxes for the years 2014 to 2018.

On 31 December 2019 the parent company Acea SpA. and the subsidiary Acea Ato 5 were served by the Inland Revenue – Dir. Prov. of Frosinone - Audit Office - two notices of assessment for IRES for 2013 and 2014 and one notice for IRAP for 2014.

These notices of assessment are a consequence of the findings of the tax assessment reports drawn up on 25 October 2018 (mentioned above) and on 30 October 2019, in which the auditors of the Guardia di Finanza found:

- for the tax year 2013:
 1. undue decrease in income of € 10,703,757;
 2. positive income components not recorded and not declared for € 829,552;
 3. negative income elements unduly deducted for € 1,559,616.

With this tax assessment report, the points mentioned in numbers 2. and 3. are resolved, given that the critical points noted in the report and initially ascribed to the tax year 2013 had an impact on subsequent years;

- for the tax year 2014:
 - positive undeclared income components of € 18,800,000.

The Company appealed against these findings before the Provincial Tax Commission of Frosinone on 28 February 2020 in compliance with the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA, with regard to the assessments of the IRES tax for 2013 and 2014. Today we are waiting for the hearing to be scheduled. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. With regard to the remaining findings relating to the 2015-2018 financial years, contested with the PVC of 30 October 2019 and against which no notice of assessment has been served to date, the Company, supported by its tax advisors, has made the necessary assessments regarding the related risk and has set aside a provision for tax risks.

Lastly, it should be noted that the Company paid a third of the amounts ascertained for a total amount of € 3,311,335 during HI 2020.

AGCM feedback on purification and charge of sewerage and purification fees

On 13 March 2020, a request was received from the AGCM for information pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms", with specific reference to the application of the tariff for purification services in the territory of the municipality of Vicalvi and the other municipalities managed by Acea Ato 5.

This request stemmed from the clarification note sent by the Municipality of Vicalvi at the beginning of 2020 and recalled by the same Authority in which it was asked to justify this attribution in view of the fact that only Imhoff tanks are used in the municipal territory and there are no purification plants.

Specifically, the Authority asked to know:

- Details of the municipalities in which no purification service is offered;
- The number of users residing there who are charged for the purification service;
- Any initiatives taken for the activation of new and/or additional purification plants, specifying the date of their entry into operation.

In this regard, having to deal with the exceptional operational difficulties related to the extraordinary emergency situation created following the spread of COVID-19, which inevitably affected the timing of the collection of the requested information and the preparation of the subsequent response – whose deadline was set at 2 April 2020 – it was considered appropriate to request an extension of the deadline to 30 April 2020.

On 30 April 2020 the Company responded to the request for information received from the Antitrust Authority regarding the application of the tariff for purification services in the territory of the Municipality of Vicalvi and the other municipalities managed by Acea Ato 5, with note no. 0141201/20.

In particular, with regard to users residing in the municipalities not currently served by purification who are charged for the aforementioned service, equal to 387 users (out of approximately 17,028), the Company replied to the Authority that it would promptly return this charge and exempt the aforementioned users from the purification portion of the tariff.

The return has been arranged automatically and regardless of any petition or request by users, and even in the absence of any report about the lack of a purification system available to the users, in accordance with the provisions of the ruling of the Constitutional Court no. 335/2008.

Subsequently, the Company acknowledged the numerous initiatives currently under way to ensure the operation of purification plants located in the municipalities not yet served, also on the basis of specific commitments made with Optimal Territorial Area Authority no. 5 and included in the Works Programme (WVP).

Finally, with specific reference to the position of the Municipality of Vicalvi, the Company has provided the necessary clarification regarding the charge made to users residing in the aforementioned municipality of the tariff relating to the purification service, specifying that this charge is legitimate due to the presence in the municipal territory of Imhoff tanks, delivered to the Company at the time of the transfer of the IWS, which are in fact, both at an operational and regulatory level, purification plants, so much so that the costs of managing them have been recognised and approved by OTAA 5 in the 2016-2019 tariff preparation.

The above demonstrates that, unlike what was stated by the Municipality of Vicalvi, the provision of a charge in the tariff for the costs of managing Imhoff tanks – through the tariff item relating to the purification service applied to users whose discharges flow into such system – is entirely lawful, and as recognised by the Operational Technical Secretariat of OTAA 5 it is consistent not only with the tariff method approved by ARERA with resolution no. 580/2019/idr, but also and above all with the principles affirmed by the Constitutional Court with judgement no. 335 of 2008, according to which the tariff, as a contractual consideration, must "express the industrial cost of the water service represented...by the integration of collection, supply, distribution, collection and purification services".

GORI

The Company manages the Integrated Water Service for the entire territory of the "Sarnese Vesuviano" District (EIC definition) of the Campania Region (74 of the 76 Municipalities, given that the Municipalities of Calvanico and Roccapiemonte are managing their water services, not having yet ensured the start of IWS management by the Company) which covers an area of approximately 900 square kilometres with a population of approximately 1.47 million inhabitants.

A total of 5,087 km of water network is currently managed, consisting of 861 km of primary abstraction network and 4,226 km of distribution network, and a 2,506 km drainage system.

Gori currently manages 13 water sources, 116 wells, 206 tanks, 122 water pumping stations, 183 wastewater pumping stations and 10 waste treatment plants.

The Company provides integrated water services on the basis of a thirty-year agreement signed on 30 September 2002 by the Company and the Sarnese Vesuviano Area Authority.

Relations with the Campania Region and with Acqua Campania for wholesale supply

Following the definition and normalisation of relations between the Company and the Campania Region (as well as its concessionaire for collections Acqua Campania S.p.A.), which took place at the end of the 2018 financial year, with regard to the transfer of the so-called "Regional Works" (i.e., some infrastructure of the IWS falling within the territory of OTA 3 and still managed by the Region, hereinafter referred to as "Regional Works") to the Area Governing Body and, for it, to Gori, as well as to the regional supplies of "wholesale water" and "wastewater collection and purification services" for the period from 1 January 2013 to the second quarter of 2018, the Region, the EIC and the Company reached an overall agreement aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuvian District Area within a framework of economic-financial equilibrium of the management for its entire residual duration and the pursuit of the following related objectives: (i) Gori's assumption of the service's management and, by way of concession and in accordance with the provisions of the current Management Agreement of the OTA 3 IWS, the assumption of the Regional Works and the consequent works to improve their efficiency, including the redeployment and efficient employment of the relevant personnel engaged in the IWS; (ii) approval by the Campania Region of plans for the payment in instalments of the debt accrued by the Company for the wholesale supplies provided from 2013 onwards, and the concurrent resolution of the complex legal dispute that has arisen with respect to the payment for the regional "wholesale water" supplies and the regional "wastewater collection and purification" services; (iii) the creation of conditions to facilitate Gori's access to the credit market; (iv) the commitment of the parties to the extent of their remit to restore/maintain the economic-financial equilibrium of the OTA 3 IWS if the need should arise. In fact, the overall agreement reached with the Region and the EIC allowed the company to subscribe a long-term loan with a pool of banks on 18 July 2019 with an availability period of 4 years, a ten-year term and a final maturity for repayment on 31 December 2029.

Update of the 2016÷2019 Regulatory Framework of the Sarnese-Vesuvian District of the Campania Region

Preliminarily, it is clarified that the ARERA has determined: a first transitional tariff method for the years 2012 and 2013 (which entirely replaced the previous "normalised method" referred to in Italian Ministerial Decree LL.PP. 1 August 1996), issued with resolution 585/2012/R/IDR ("Transitional Tariff Method" or "MTT"); a second water tariff method for the years 2014 and 2015 issued with resolution 643/2013/R/IDR ("Water Tariff Method" or "MT1"); a third and currently applicable water tariff method for the second regulatory period 2016÷2019 implemented with resolution 664/2015/R/IDR, as amended by subsequent resolution 918/2017/R/IDR ("Water Tariff Method - 2" or "MTI-2").

Based on the tariff method implemented by the Authority, the Area Governing Body is required to prepare the Regulatory Scheme for the period of reference, which is then approved by the Authority.

In fact, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in execution of the ARERA 664/2015/R/IDR resolution, prepared the 2016÷2019 Regulatory Scheme with resolution no. 19 of 8 August 2016 and then updated it, in execution of the ARERA 918/2017/R/IDR resolution, with resolution no. 39 of 17 July 2018. With this last resolution: (i) the RCappr adjustment component was valued at € 216,948,037; (ii) the Guaranteed Revenue Constraint ("GRC") for the years 2016 was recognised (GRC: € 167,958,694); 2017 (GRC: € 183,072,979), 2018 (GRC: € 197,001,101) and 2019 (GRC: € 206,352,671) as well as the corresponding "tariff multipliers" for the 2018 financial years (9 1.247505) and the 2019 financial year (9 1.309880); (iii) it was decided to allocate the FoNI quota already envisaged for the year 2017 and not yet used to finance tariff reductions of a social nature; (iv) the additional Water Bonus was established with the valuation of the OPsocial cost component for the years 2018-2019; (v) table no. 2 was updated relating to accruals, amortisation and separate loans for Municipalities of OTA 3. In addition, the 2016÷2019 Regulatory Scheme updated with Resolution 39/2018 was prepared on the basis of a plan aimed at the full implementation of the IWS of the Sarnese-Vesuvian District that guarantees, concurrently with economic-financial equilibrium: (a) the social sustainability of the IWS tariff applied to users, (b) the investments necessary for the improvement of the service, and (c) the recovery of accumulated tariff adjustments. For these purposes, the current OTA3 Regulatory Scheme has established the following objectives to be achieved to ensure the full implementation of the IWS: (i) the transfer and increased efficiency of the "Regional Works", and, that is, the water infrastructure falling within OTA 3 still under the management of the Campania Region and listed in the resolution of the Regional Council 243/2016; (ii) re-employment and relocation – always with a view to making the IWS more efficient – the personnel assigned to the Regional Works in accordance with the procedures set forth in the agreements with the Trade Unions on the basis of aforementioned resolution 243/2016 and the relevant Framework Agreement of 3 August 2018 specified above; (iii) the provision of instalment plans for the debts accrued by the Company – essentially due to the inadequacy of the OTA 3 tariff system effectively applied until 2016 – for wholesale supplies disbursed from 2013 onwards to the Campania Region and the concurrent resolution of the complex legal dispute arising from the payment of regional supplies of "wholesale water" and services of "collection and treatment of wastewater".

Refer to the entire contents of the paragraph "Service Concession Arrangements" also for information on the financial effects deriving from the conclusion of the recognition of equalisation measures.

Gesesa

The Company operates in 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. 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 (aqueduct, sewerage and treatment) to a single operator. Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of about 120,000 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,541 km, a sewerage network of 553 km and about 300 plants managed. The total number of user accounts amounts to about 57,000, for which 2019 consumption has been estimated at about 8 million cubic metres of water.

The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users. The Company 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. For these reasons, the investments also focused on the improvement and adaptation of the sewerage systems and the restructuring of the purification plants and the preliminary design of those not yet present in the territory.

Finally, 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. This measure forms part of a wide-ranging investigation into environmental offences linked to the management of purification. Currently, normal plant activities are under way in consultation with the judicial bodies, and legal assessments are under way to understand the impact on the management of the company.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. 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.

With Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Board of Directors of the Tuscany Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by resolution AIT no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same resolution the Board of Directors of the Tuscany Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/IDR ARERA approved the tariff proposal.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was stipulated with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) 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. Please also note that tariff data are currently being collected for the determination of the 2020 tariff and subsequent years in accordance with Resolution ARERA 580/2019/R/idr of 27 December 2019. The amount of tariff revenues included in the situation at 30 June 2020 represents the best possible estimate at the moment and is consistent with the 2020-2024 business plan sent in recent months, pending the preparation of the MTI-3 tariff by the Tuscan Water Authority, whose deadline was extended to 31 July 2020.

Publiacqua

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.

With regard to the new tariff structure, with resolution no. 29/2016 of 5 October 2016 the AIT approved the tariffs for the second 2016-2019 regulatory period (MTI-2) pursuant to the ARERA resolution no. 664/2015. With resolution 687/2017R/IDR ARERA approved the tariffs proposed by the Tuscany Water Authority on 12 October 2017. Following the approval of the new tariff structure envisaged by the ARERA Resolution no. 665/2017R/IDR (TICSI), Publicacqua has billed according to the new structure since August. Finally, with resolution no. 24 of 7 December 2018, the AGB approved the 2018-2019 rates and at the same time approved the extension of the Company's concession until 2024, the Company began a market survey with the main financial institutions, aimed at verifying the availability and economic conditions to proceed with the disbursement of a medium/long-term bank loan aimed in part at extinguishing existing financial exposures and in part at supporting the investments provided for in the new approved Intervention Plan. On 18 June 2019 the banks were invited to submit a binding offer on the basis of a term sheet. Following the offers received, 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. Among the conditions precedent to the disbursement of the loan, the lending banks have requested ARERA's approval of the new Tariff Plan, including the extension of the concession. On 6 February 2020, ARERA sent a communication on the tariff arrangements for the Integrated Water Service for the two-year period 2018-2019 confirming the validity of the tariff determinations adopted (and consequently the approval of Publicacqua's 2018-2024 Economic and Financial Plan), for which the suspensive condition could be exceeded after the end of the year.

Please note that during the six-month period the data collection continued for MTI-3 2020-2023 tariff preparation, with the completion of the DFP, W/P and all the documentation accompanying the tariff scheme. Finally, we note that the tariffs for the year 2020 were determined in compliance with the provisions of art. 7 of Resolution 580/2019R/idr approved by ARERA on 27 December 2019 by which the same Authority defined the Tariff Method in force for the period 2020-2023. According to the provisions of the Resolution, from 1 January 2020 and pending the activities necessary to update the tariffs to the new regulatory provisions, Publicacqua is required to apply the tariffs previously approved by the Tuscan Water Authority with Resolution 24/2018.

Finally, on 16 July 2020 the AIT submitted the new tariff proposal to ARERA in accordance with the MTI3, prepared by the operator.

Acquedotto del Fiora

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 waste water treatment. The concession term is 25 years from 1 January 2002 and in 2020 was extended until 2031.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no.17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Board of Directors of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019R/IDR of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta.

With regard to the structured bank loan signed on 30 June 2015, during the year AdF initiated discussions with lending institutions in order to revise some conditions of its existing loan agreement. In fact, at the end of the negotiations AdF obtained consent to modify the repayment terms starting from 2020 and to improve the financial conditions (Euribor spread equal to 1.9%), the latter supported by the issue of a guarantee by Acea to partially cover the payment obligations deriving from the contract. In this context, in view of the financial commitment required of the Parent Company Acea, the Shareholders agreed to review the existing Shareholders' Agreements, and consequently the provisions of the by-laws with regard to the governance of the Company in order to attribute greater management powers to the Private Shareholder. The direct consequences of these changes led to the transfer of the consolidation of AdF from equity valuation to full consolidation of the equity investment held indirectly by Acea through its subsidiary Ombrone.

Umbra Acque

On 26 November 2007 Acea was definitively awarded the tender called by the Area Authority of Perugia OTA 1 for selection of the minority private business partner of Umbra Acque S.p.A. (concession expiry 31 December 2027). A stake in the company (40% of the shares) was acquired on 1 January 2008.

The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

The tariff applied to users for the year 2019 is the rate applied to users was determined by Resolution No. 489 2018R/IDR of 27 September 2018 with which ARERA approved the updating of tariff arrangements for the two-year period 2018-2019, previously proposed by the Assembly of Mayors of the AURI with Resolution no. 9 of 27 July 2018. Finally, we inform you that on 29 December 2018 the request to extend the duration of the assignment to 31 December 2031 pursuant to art. 5.2 and 5.3 of the Convention and Resolution 656/2015R/IDR. It should also be noted that the determination of the new tariff plan for the regulatory period 2020-2023 (MTI-3), which includes the outcome of the request to extend the duration of the contract from 4 March 2028 to 31 December 2031 and the acquisition of the new structured loan linked to a bankable regulatory EFP could be significantly reflected in the company's operations, and therefore in the pursuit of the Company's institutional objectives.

Geal

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015. With regard to tariffs, it should be noted that ARERA approved the plan for the four-year period 2016-2019 with resolution no. 726 of 26 October 2017 and approved the related update with resolution no. 387 of 12 July 2018, also incorporating the request made by GEAL for the recognition of the OpexQt component for € 180,000/year. According to this measure, tariffs for the last two years fell by 3.53% at the beginning of 2018 and remained unchanged until the end of 2019.

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 scheme containing the tariff for approval 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 bi-annual update of the tariff arrangements 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 schemes 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 scheme.

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

Company	Approval status (up to MTI2 "2016 - 2019")	Biennial update status (2018 - 2019)
Acea Ato 2	On 27 July 2016, the EGA approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/IDR. <u>The ARERA then approved them in Resolution 674/2016/R/IDR, with some changes compared to the AGB's proposal; quality bonus confirmed.</u>	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.
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.
Gori	On 1 September 2016, the Extraordinary Commissioner of the EGA approved the tariff with Op _{xqc} 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.
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 Board of Directors 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.
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. <u>With resolution 687/2017/R/IDR, on 12 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA has not yet given its approval.
AdF	On 05 October 2016, the AIT approved the tariff with recognition of the Opex _{qc} . <u>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.</u>	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 Board of Directors on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any

Company	Approval status (up to MTI2 "2016 - 2019")	Biennial update status (2018 - 2019)
		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 OpexQC) and the extension of the concession with Resolution no. 465 of 12 November 2019.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{QC} . <u>With resolution 726/2017/R/IDR, on 26 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.
Acea Molise (formerly Crea Gestioni)	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.
Gesesa	On 29 March 2017 with resolution no. 8 of the Extraordinary Commissioner the OTAAI approved the tariffs 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-Ente Idrico Campano) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.
Nuove Acque	On 22 June 2018, the AIT Board of Directors approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the Opex _{QC} . <u>The ARERA then approved them in Resolution 764/2016/R/IDR dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Meeting approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with resolution no. 489 of 27 September 2018

Pending completion of the approval process, which is still in progress, the revenues recorded for the aforementioned years were determined on the basis of the tariff schemes previously approved by ARERA or by the respective Area Government Agencies, as detailed above. In this regard, on 5 February 2020 ARERA confirmed this approach, in particular "with regard to the proposals for the bi-annual update of the tariff arrangements for the years 2018 and 2019 sent by the area governing bodies pursuant to Resolutions 917/2017/R/IDR and 918/2017/R/IDR, but not yet affected by specific acts of approval by the Authority, it is clarified that the Authority will complete the investigations aimed at ascertaining the consistency of the relevant technical and tariff data as part of the checks on the specific regulatory schemes 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. For the two-year period 2018-2019, the tariff determinations adopted by the competent entity remain valid, which will be assessed by the Authority – as part of the quantification of the adjustment components referred to in article 27 of MTI-3 – when approving the new regulatory scheme".

With regard to the third regulatory period (2020-2023) and as a consequence of the effects deriving from the health emergency, the procedures for approving the tariff provisions of the Group's water companies are currently ongoing, with the exception of Publicacqua, for which on 16 July 2020 the AIT submitted the new tariff proposal prepared by the operator to ARERA.

For more details on the matter, see the paragraph "Service Concession Arrangements".

Revenues from the Integrated Water System

The table below indicates for each Company in the Water Segment the amount of revenue in the first half of 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.

Please note that the quantification of the GRC (Operator Guaranteed Revenue Constraint) of the managers to which the Water Tariff Method for the third regulatory period (MTI-3) applies represents the best estimate, based on the elements that are currently available, deriving from the interpretation of the new rules and supported by the calculation models made available by ARERA on its website.

These estimates must be confirmed in the tariff proposals to be completed by the Area Authorities by 31 July 2020 and definitively approved by ARERA in the following 90 days. In any case, the degree of overall variability of these estimates, related to the process of completing the tariff proposals and discussing them with the Area Authorities which is still ongoing, is considered reasonably low.

It should also be noted that the increase in the income period of the IWS compared to the previous year is justified, among others, by the recognition of costs actually incurred by operators and therefore substantially certain, in accordance with the principle of “full cost recovery” underlying MTI-3.

Company	Revenue from the IWS (pro quota values in € million)	FONI (pro quota values in € million)
Acea Ato 2	336.2	FNI = 20.3 AMM _{FoNI} = 5.5
Acea Ato 5	41.8	FNI = 1.3 AMM _{FoNI} = 2.1
Gori	99.5	AMM _{FoNI} = 1.6
Acque	36.1	AMM _{FoNI} = 1.9
Publiacqua	50.3	AMM _{FoNI} = 5.9
AdF	55.3	AMM _{FoNI} = 4.9
Gesesa	6.5	FNI = 0.2
Geal	4.1	FNI = 0.2 AMM _{FoNI} = 0.4
Acea Molise	2.4	-
Umbra Acque	15.7	FNI = 0.4 AMM _{FoNI} = 0.9

Energy Infrastructure

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2020	30/06/2019	Change	% Change
Energy Produced	GWh	279	296	(17)	(5.8%)
Thermal Energy produced	MWht	42	44	(2)	(4.2%)
Electricity distributed	GWh	4,256	4,755	(499)	(10.5%)
No. POD	N/000	1,635	1,631	4	0.2%
Km of Network	Km	30,682	30,691	(9)	n.s.

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	347.9	337.1	10.8	3.2%
Costs	141.9	143.9	(2.0)	(1.4%)
EBITDA	206.1	193.3	12.8	6.6%
Operating profit/(loss) (EBIT)	119.9	123.8	(3.9)	(3.1%)
Average headcount	1,351.5	1,360.5	(9.0)	(0.7%)

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	141.3	287.8	(146.4)	(50.9%)	133.4	7.9	5.9%
Net financial debt	1,602.6	1,320.5	282.1	21.4%	1,228.1	374.6	30.5%

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
Energy Infrastructure Segment Adjusted EBITDA*	206.1	193.3	12.8	6.6%
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	36.2%	38.5%	(2.2 p.p.)	

The EBITDA at 30 June 2020 was € 206.1 million, an increase of € 12.8 million compared to 30 June 2019. The change is mainly attributable to the company **areti** (+ € 13.0 million) as a consequence of the annual tariff updates in the scope of the fifth regulatory cycle (tariff variation effect between the two periods being compared) as per ARERA resolution 568/2019/R/eel of 27 December 2019 (+ € 7.1 million) for *regulatory accounting* (+ € 7.2 million) and for the positive effects of the Resilience Plan. As regards the energy balance, at 30 June 2020 areti injected 4,256 GWh into the network with a 10.5% decrease compared to the same period of the 2019.

The EBITDA for **public lighting** is equal to € 0.7 million, an increase of approximately € 1.0 million compared to 30 June 2019, mainly as a result of new fixtures.

Acea Produzione contributed a total of € 17.4 million to EBITDA, down from 30 June 2019 by € 6.7 million, mainly as a result of lower quantities and the price effect.

The EBITDA was also affected by the change in the scope of consolidation for the acquisition of the photovoltaic companies starting from H2 2019. This positive change amounted to € 5.7 million.

The average workforce showed a slight decrease compared to 30 June 2019 (- 9 units). Note that the new photovoltaic companies do not have employees.

The operating result was mainly affected by the increased amortisation, depreciation and write-downs for the period, in line with the increase in investments. In addition, the effect of the acceleration of depreciation (started at year-end 2019) of first-generation electric meters according to the swap plan for the installation of second-generation meters for € 9.7 million affected the increase for the period.

Investments amounted to € 141.3 million, with those of **areti** (for a total of € 131.8 million) pertaining to the renovation and expansion of the HV, MV and LV networks, works on primary and secondary cabins and on meters, while intangible investments refer to projects for the re-engineering of information and commercial systems. Starting from the previous year the so-called "Resilience Plan" was implemented, which consists of works on substations and on the MV and LV grids and projects aimed at limiting the probability of disconnection resulting from the grid's main accident risk factors.

Investments made by **Acea Produzione** amount to € 3.6 million mainly for the extraordinary maintenance of the Orte, Sant'Angelo and Salisano hydroelectric plants and the Tor di Valle and Montemartini thermoelectric plants.

Also worth noting are the investments made by **Acea Solar** for the activities preparatory to the construction of photovoltaic plants amounting to € 3.4 million.

Net financial debt stood at € 1,602.6 million as at 30 June 2020, showing a change of € 282.1 million compared to 31 December 2019, attributable to the change in scope and € 230.2 million in **areti** as a result of the increasing volume of investments, the increase in pay-outs and the dynamics of operating cash flow. Compared to 30 June 2019, the net financial position increased by € 374.6 million, due for € 108.2 million to changes in scope and for the remaining part to **areti** (+ € 267.2 million).

Significant events in H1 2020 and later

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges.

At 30 June 2020 the total receivables accrued by the Company amounted to € 73.6 million, including billed interest. Such interest was excluded from the mechanism for the reinstatement of general charges by Resolution 300/2019/R/EEL and subsequently readmitted to the mechanism by Resolution 495/2019/R/EEL.

With Circular no. 2/2020/ELT of 30 January 2020, CSEA prepared a method for adding the applications already submitted in order to include the portion relating to interest on arrears invoiced in accordance with the initial provisions of art. 1.4, letter a), number iv) of Resolution 50/2018/R/EEL. On 18 February 2020, a formal request to participate in the mechanism for reimbursing the default interest billed was formally submitted and the amount requested was received equal to € 2.9 million on 30 March 2020.

On 27 December 2019 Resolution 568/2019/R/EEL was also issued, which provides for the recovery of the portion relating to network tariffs similar to the model for the recognition of uncollected general system charges. In particular, taking into account the comments received during the consultation, it confirms access to the mechanism each year n if the amount of non-collectable receivables relating to network tariffs not yet covered – calculated considering the cumulative amount in the years 2016, 2017 and 2018 – exceeds 0.75% of the revenues allowed in 2018, with the application of a deductible equal to 10% of the total amount of non-collectable receivables. The first application of the mechanism is scheduled for 2020 with a request to be submitted during the year according to a method to be defined, and with a subsequent measure. The Gala portion will amount to about € 11 million.

Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses, the reduction in the value of the **areti** receivable from Gala was prudentially determined as of 30 June 2018.

It should also be noted that with resolution no. 583 of 20 November 2018, the ARERA rejected the complaint presented by Gala Power Srl, a company of the Gala Group, regarding **areti**'s refusal to stipulate a transport contract with it given the established existence of a single decision-making centre subsisting between Gala Power and its parent company Gala, in light of the significant debt exposure accrued by the latter with respect to **areti**. Gala Power appealed against the Authority's decision before the Lombardy - Milan Regional Administrative Court, Section I, judgement no. 1936 published on 2 September 2019 and not served. This judgement was appealed before the Council of State on 29/11/2019.

It should also be noted that with Resolution no. 181 of 14 May 2019 ARERA rejected the complaint submitted by EEMS Italia S.p.A., also a Gala Group company, against **areti**'s refusal to enter into a transport contract with that company, deeming the claim made by the complainant unfounded on the grounds that since it had not established any direct or indirect relationship with at least one end customer, it did not meet the mandatory condition laid down in the regulation for the validity of the transport contract. On 27 August 2019 EEMS Italia again requested to enter into a transport contract. In response to the request for clarification submitted by the Company, EEMS Italia S.p.A. filed a new complaint with ARERA on 5 December 2019.

It should be noted that with sentence no. 270 of 6 February 2019 the Lombardy Regional Administrative Court fully rejected the appeal filed by Gala S.p.A. against ARERA Resolution 109/2017/R/EEL of 6 March 2017 concerning guarantees for the collection of general electricity system costs.

Technological innovation projects

2G digital meter project

In an increasingly advanced technological and energy context, the "2G Digital Meter" project was launched by **areti** with the aim of replacing the first-generation electricity meter system with the 2G Smart Metering system in compliance with the requirements of ARERA resolution 306/2019/R/eel. An activity was launched in 2019 and is still in progress dedicated to the development of new operational and management reporting, as well as the adaptation of existing reporting. In parallel, data is being made available for analytics systems with a view to monitoring new metering processes and mitigating the risks to the metering service's constancy.

From a hardware point of view, 14 physical servers were supplied and installed at the ITS CED, providing services for 118 virtual servers and 150 Tbytes of storage and acting as the new 2G management centre. Therefore, Enel's Beat Suite software was deployed on 3 architectural layers: Quality, Pre-Production and Production.

Finally, in the first half of 2020 several dozen scenarios were successfully executed in both the User Acceptance Test and Non Regression Test that allowed compliance with the plan with the first release on all application areas (Asset Management, Field Processes, Metering, Beat Suite) of 31 May 2020 (Wave 1).

The following main functions were launched:

- Acquisition by the 2G Management Centre of readings from the field in RF radio mode;
- User management in the field through mobile devices;

- New method for managing meters and concentrators in the warehouse;
- Acquisition, validation of readings from 2G meters;
- Readjustment of the 1G reading functions to make them compatible with the new 2G meters.

The development of the application map continues unabated, and all the new features planned for wave 2 will be released into production on 7 August.

areti's single EData Lake

Q2 2020 saw the consolidation of the areti project initiative launched in 2018 in partnership with SAS Institute with the aim of making data available for the distribution business. Activities run from the definition of a data model to the process of releasing it to an analysis environment, including infrastructure management. The current sources for the procurement of data are: SAP HGP, the extranet server, third-party FTP servers, specific Oracle databases.

From an architectural point of view, in May 2020 it was finalised with the upgrading of the platform to deal with an increasing number of users and data, and migrating from a Microsoft Azure solution to a Google Cloud solution.

As for data integration, to date the following are available:

- 1G remote management system, both for LANDIS and GME meters (registers, load curves, routing, meter communication statistics, substation concentrator operation parameters, etc.)
- GIS mapping system (integrated into all tabular areas)
- Integrated Low Voltage Network Survey in all tabular areas
- SAP (IS-U and MDM) to cover a highly representative share of the data of interest to the Meter-to-Cash area
- TESS system (commercial quality) in a highly representative share of the data necessary for the final analysis of service continuity indicators NI and DI both at medium and low voltage.
- RadarMeteo weather data from 17 weather stations in the area served by areti: daily, actual and forecast data (updated twice a day) relating to minimum, maximum and average temperatures, daily cumulative rainfall, average relative humidity, average wind speed, daily solar radiation on the ground on a horizontal plane.

Further data integration is ongoing according to the priorities dictated by the business, namely:

- SAP PM and MM
- Adaptation of SAP IS-U data models and management centre for an incipient evolution towards the 2G remote management system
- Remote management system.

Network diagnostics and monitoring project

The project follows three main lines of action:

- Primary station diagnostics
- Substation diagnostics
- Overhead line diagnostics

1. Primary station diagnostics with UGV DRONES

The project involves the development of an UGV (Unmanned Ground Vehicle) prototype for autonomous or remotely piloted inspection of primary stations. The AUTONOMUS UGV drone has sensors for detecting environmental parameters (temperature sensors, partial discharges, cameras) and sensors for moving autonomously in the environment (lidar, GPS and cameras). It executes inspection plans independently and can be remotely controlled for targeted security checks and operations. The system may also transmit inspection information to an operator located at a location other than the place of operation. During 2019 the first AUTONOMUS prototype drone was released and tested.

2. Substation diagnostics (CS-Plus):

The project involves testing an integrated IOT solution for remote monitoring, diagnostics and management services: e.g. environmental parameters, digital access management, etc. During 2019, scouting was started for the implementation of POC under development in 2020 for both the peripheral sensors part and the central management part of data collection through the IOT platform.

3. Overhead line diagnostics

The project involves the combination of periodic analyses of satellite images using artificial intelligence algorithms (developed to detect man-made and/or vegetative interference) and targeted inspections of conditions with drones to enable a continuous monitoring of overhead lines.

During 2019, a POC was launched to validate the solution's effectiveness in identifying both man-made and vegetative interference in the test areas. As part of this project, a system for transmitting the ultrasonic signal of Partial Discharges was also developed and patented. The system is used when the partial discharge sensor and the monitoring instrument cannot be connected by cable. For example, if applied on UAV drones or on wheeled or tracked UGV robots.

During H1 2020 the optimisation of the Autonomus prototype for monitoring primary stations continued, the experimentation on the peripheral side of the CS Plus project continued and the industrialisation of the GIMMI solution for the monitoring and diagnostics of overhead lines was launched.

Specifically, for the AUTONOMUS project, work continued to optimise the prototype's autonomous driving, pointing and monitoring functions, the development of a parking and charging station continued, which will make the drone completely autonomous for future operations, and the construction of a control station for the management of the drone from the central system was started.

With regard to the Substation Plus, the testing of peripheral-side monitoring solutions continued for two of the suppliers identified in the scouting phase aimed at the design and development of the final concept, and development of the intelligent access control solution was started with a third-party supplier.

For the GIMMI Project, the operational process was designed and work was started in parallel with the current overhead line monitoring processes. The first cycle of vegetative analysis was concluded.

Primary station automation project

The objective of the project is to define a new architecture for the Command and Control Protection System of the Primary Station (CP) oriented towards the reduction/simplification of low voltage wiring, the use of standard protocols developed for communication between the equipment in the field and the Command and Control Protection System, as well as towards the Remote Control System. It also aims to define and implement concise remote control and automation commands, as well as the provision of remote access to CP data for maintenance and analysis.

GRID MONITORING and DIAGNOSTIC solutions for the Collection of Information from the Field.

Development of areti telecommunications network

The TLC project provides for the creation of a high-speed and reliable backbone network in 2020-2021 that will link all primary stations to a small part of substations. These will constitute the main framework of the network – consisting of secondary fibre optics connecting all substations and relevant points for the power grid – from which will be launched all the smart grid services, followed later by smart city services. This network structure will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in substations and, where possible, the metering points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment.

In the coming years, all primary stations and about a thousand substations will be connected via fibre optics (owned or IRU). This objective will be made possible thanks to the synergy between the optimisation of the electrical grid and the laying of fibre optics, which will substantially reduce the impact on the territory by reducing the inconvenience for the public. This synergy will also be extended to areti's TLC partners, allowing significant savings both in terms of costs of implementation and management by the company.

Public Lighting

As at 30 June 2020 extraordinary maintenance and modernisation and safety activities agreed to with Roma Capitale continued regularly, thus creating new lighting points as part of the lighting re-engineering and development projects.

Production of electricity

The **Acea Produzione** production system is currently constituted by a group of generation plants, with an overall installed power of 225.2 MW, comprising five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzo), 52 photovoltaic plants (with an installed capacity of 8.6 MWp), two so-called mini hydro plants, Cecchina and Madonna del Rosario, two thermoelectric power stations, Montemartini and Tor di Valle, the latter consisting of a modern high-efficiency cogeneration plant, replacing the previous combined-cycle plant. The new plant consists of two high-efficiency methane gas powered engines each with an electrical power of 9.5 MW, for a total of 19 MW, as well as three supplemental boilers and 6 storage tanks. In the current configuration, in addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.

In the first half of 2020, the Company achieved a production volume of 256.9 GWh through the plants owned directly. During the period, the Company's production was subdivided into the portion related to hydroelectric plant production of 201.7 GWh, the share of production from mini-hydro plants of 0.1 GWh, the share of thermoelectric production of 49.5 GWh and the portion related to photovoltaic production of 5.7 GWh. The Company's production mix is mainly from renewable sources with a share of "green" production equal to about 90% of the total. In addition, about 60% of total production is incentivised following investments in hydroelectric power plants or participation in the so-called "feed-in tariff" for the photovoltaic segment.

With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 9.52 GWht, for a total of 3,470 utilities served (259 condominiums and 3,211 real estate units).

Co-generation

The operational management of **Ecogena** focuses mainly on three areas: (i) consulting in the Esco sector and offering services related to obligations to increase the energy efficiency of third parties (inside or outside of the Acea Group); (ii) the supply of energy service through the management of cogeneration (or trigeneration) plants and district heating networks and the sale of energy produced to customers; and (iii) the coordination of Group companies with regard to energy efficiency projects.

The Company's production system is made up of a set of cogeneration plants, combined with district heating networks, for a total of 5.0 MW of installed electric power in Umbria and Lazio. The production of thermal and refrigeration energy is decreasing compared to previous years due to a milder winter season than last year and the decrease in the absorption of management customers (especially for the Europarco contract) following the COVID-19 emergency. As at 30 June 2020, Company achieved a production volume of around 7.6 GWh (electricity), 11.7 GWh (thermal) and 3.3 GWh of refrigeration.

With regard to Europarco's trigeneration plant, the expansion of the plant has been completed, doubling the cooling capacity installed in the plant with a relative increase in electricity. A third boiler is in the process of being added. The entire project was carried out by reusing and exploiting the plants in the Cinecittà World facility, which is being divested. In April, the new configuration of the Porta di Roma plant was put into operation, including a new 3.3 MWt boiler as part of a substantial modification authorised in 2012. The plant's management system was also modernised. In May work began on the addition of the third 240 kW boiler at the Saxa Rubra plant. At the same time, work began on the restoration and modernisation of the plant's remote control. Work on improving the energy efficiency of the air conditioning system of the Acea data processing centre (Cedet) has been completed. The systems have been successfully tested.

Working on behalf of Acea Innovation, Ecogena carried out the activities related to the design and permitting of the first 5 lots of the Acea Group's mobility plan, and awaits the approval of the commercial offer sent to agree on the handover procedure, involving the formalisation of a specific contract and a handover report of the documentation produced, before proceeding with the transfer of the completed work.

Regarding the efficiency improvement of residential buildings through tax breaks (ecobonus and earthquake bonus), while awaiting the reorganisation of responsibilities within the company scouting continues to identify initiatives for improving the energy efficiency of building exteriors in light of the regulations included in the relaunch decree, and for which we are waiting for the regulatory guidance necessary for the implementation of the resulting new business model.

In the field of cogeneration, preliminary checks are under way on two industrial prospects. Preparatory activities are also under way to assess an opportunity in the field of efficiency of a Public Lighting plant outside the municipality of Rome.

During the first half of the year, negotiations continued on the SACCIR operation that will enable the acquisition of additional cogeneration plants at third-party industrial/directional facilities (Klopmann and Kordenpharma) with a capacity of over 5 MW.

New Photovoltaic acquisitions

It should be noted that during the first half of 2020, in line with the Business Plan, the Acea Group continued to acquire companies in the photovoltaic market. As at 30 June 2020 17 companies were acquired for a total installed capacity of approximately 33.6 MW. It should also be noted that during the first half of the year 49% of Energia S.p.A.'s capital was acquired, which has a total installed capacity of 7.7 MW. Finally, please note that in July 49% of Belaria Srl was acquired, with installed power of 3.0 MW.

Acea also completed the acquisition of Fergas Solar SpA, owner of a single authorisation for the construction of a 20MW solar power plant in Basilicata, and has obtained authorisation for the construction of a 5MW power plant on its own industrial land in Lazio and for a 15MW portfolio in Lazio. In the development of greenfield photovoltaics, Acea is also carrying out a balanced mix of projects, with particular attention to areas of an industrial nature, and has a total of over 400MW in the pipeline.

Merger of photovoltaic companies

It should be noted that as part of the corporate reorganisations of the energy infrastructure segment, the merger of some photovoltaic companies was completed in July 2020, with accounting and tax effects dating back to 1 January 2020.

Engineering and Services

Operating figures, equity and financial results for the period

Operating data	U.M.	30/06/2020	30/06/2019	Change	% Change
Total number of analyses	No.	541,174	518,654	22,520	4.3%
Total number of samples	No.	16,144	16,838	(694)	(4.1%)
Worksite inspections	No.	7,621	6,945	676	9.7%
Safety Coordination	No.	307	91	216	n.s.

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	35.5	33.3	2.2	6.6%
Costs	30.0	26.8	3.2	12.0%
EBITDA	5.5	6.5	(1.0)	(15.4%)
Operating profit/(loss) (EBIT)	4.4	5.7	(1.3)	(23.3%)
Average headcount	403.3	272.0	131.3	48.3%

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	2.7	1.8	1.0	53.6%	0.8	1.9	n.s.
Net financial debt	42.6	6.7	35.9	n.s.	11.7	30.9	n.s.

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
EBITDA Engineering and Services Segment	5.5	6.5	(1.0)	(15.4%)
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	1.0%	1.3%	(0.3 p.p.)	

The Segment closed H1 2020 with EBITDA of € 5.5 million, slightly down on the same period of the previous year (€ 1.0 million). This change results from opposing effects deriving on the one hand from **Acea Elabiori**, which recorded a reduction of € 2.0 million due to the internalisation of leak searches in operating companies, as well as other effects related to the restructuring of TLC activities and the consolidation of **Simam** (+ € 1.1 million), acquired during the month of May. The Segment also includes **Ingegnerie Toscane**, an engineering company that provides technical support services in the water-environmental sector, and **TWS**, a company that operates mainly in the construction and renovation of works instrumental to the operation of the Integrated Water Service, and in particular of water treatment plants – drinking water and wastewater – as well as design and engineering services as they relate to plant construction. These companies recorded EBITDA of € 1.1 million and € 0.2 million, respectively.

The average workforce as at 30 June 2020 stands at 403.3 units and is up compared to 30 June 2019 (272.0 units) due to the effects deriving from the Facility Management branch transferred to Acea at the end of last year. This operation involved the transfer of 55 resources from Acea Elabiori to Acea SpA, offset by the entry into the Group's scope of the aforementioned consolidation of **SIMAM** (+132 resources).

Investments amounted to € 2.7 million, mainly related to industrial equipment purchased by **Acea Elabiori**. The change in the scope related to **SIMAM** contributed € 0.7 million.

Net financial debt at 30 June 2020 was equal to € 42.6 million, down € 11.7 million compared to 31 December 2019. This change was due to **Acea Elabiori** for € 9.3 million as a result of the increase in requirements generated by changes in working capital, partly offset by **TWS** for € 2.4 million due to revenues for work carried out with Publicacqua and Umbriadue. Compared to 30 June 2019, financial debt decreased by € 30.9 million, attributable to **Acea Elabiori** for € 33.6 million, only partly offset by **TWS**'s improved contribution to the NFP of € 4.3 million.

Significant events in H1 2020 and later

On 7 May 2020, the agreement for the acquisition of 70% of the capital of Simam S.p.A. was finalised. (Servizi Industriali Manageriali Ambientali), a leading company in the design, construction and management of mobile water and waste treatment plants, in environmental works and reclamation, with integrated solutions featuring high technological content. The acquisition is an evolution of the Segment to ensure efficiency and flexibility of support for the operating companies, providing value to the Group and strengthening internal know-how, with the standardisation of production solutions and the application of new technologies in the field of Design and Project Management. Synergies were immediately put in place with the launch of development sites and integration projects.

The economic value of the transaction, in terms of enterprise value for 100% of the company, is equal to € 30 million. The agreement envisages the possibility of acquiring additional shares of up to 100% of the company from 2023. The expected annual contribution to EBITDA is approximately € 7 million. Finally, it should be noted that on 24 July 2020 the price adjustment amounted to € 1.3 million.

Corporate

Equity and financial results for the period

Equity and financial results (€ million)	30/06/2020	30/06/2019	Change	% Change
Revenues	58.9	57.7	1.1	2.0%
Costs	77.0	71.5	5.5	7.7%
EBITDA	(18.2)	(13.8)	(4.3)	31.4%
Operating profit/(loss) (EBIT)	(26.5)	(22.0)	(4.5)	20.4%
Average headcount	693.5	666.8	26.7	4.0%

Equity and financial results (€ million)	30/06/2020	31/12/2019	% Change	% Change %	30/06/2019	% Change	% Change %
Investments	9.6	21.7	(12.1)	(55.6%)	6.6	3.0	45.5%
Net financial debt	230.9	250.4	(19.5)	(7.8%)	226.4	4.5	2.0%

EBITDA (€ million)	30/06/2020	30/06/2019	Change	% Change
EBITDA Corporate Segment	(18.2)	(13.8)	(4.3)	31.4%
EBITDA Group	568.7	502.6	66.1	13.1%
Percentage weight	(3.2%)	(2.7%)	(0.4 p.p.)	

Corporate closed HI 2020 with a negative EBITDA of € 18.2 million (- € 4.3 million compared to 30 June 2019). The change is due to the combined effect of several phenomena, including an increase in costs for Information Technology and an increase in labour costs (greater number of resources) to which were added higher costs for the COVID-19 emergency.

The average number of staff at 30 June 2020 was 693.5, down compared to the same period in the previous year (666.8).

Investments amounted to € 9.6 million, an increase of € 3.0 million compared to the same period in 2019. Investments mainly refer to IT developments and investments in the company offices.

Net debt at 30 June 2020 amounted to € 230.9 million, a decrease of € 19.5 million compared to the closure of 2019 but up € 4.5 million compared to the same period of 2019. This change derives from the Group and Acea needs generated by changes in working capital.

Significant events in HI 2020 and later

On 19 May 2020, the subsidiary Acea Innovation acquired the entire share capital of Electric Drive Italia Srl, a leading company in Italy in the provision of highly technological services related to smart cities. In the last 4 years Electric Drive Italia has been awarded 5 tenders in the field of research and development for solutions related to technological innovation.

Significant events during the period and afterwards

Acea SpA Successfully placed a nine-year € 500 million bond issued under the EMTN Programme

Following the Board of Directors' resolution of 22 January 2020 and the completion of bookbuilding, on 29 January 2020 it successfully completed the placement of a non-convertible bond loan for a total principal amount of € 500 million, maturing on 6 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").

The Bonds are intended exclusively for institutional investors in the Euromarket. The issue was successful, receiving requests equal to about 3 times the amount of the Bonds offered, by investors of primary rank and representative of many geographical areas.

The Bonds have a minimum unit denomination of € 100,000 and have been placed at an issue price of 99.20%, which implies a yield of 0.59%. The Bonds are governed by English law. The settlement date was set at 6 February 2020. From that date the Bonds will be listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.

The proceeds from the issue of the Bonds will be used to finance the Company's ordinary activities, as well as to support the investments envisaged in the business plan for the three-year period 2020-2022.

Acea SpA Growth in the gas distribution sector

On 10 March Acea signed an agreement with the companies Alma CIS srl and Mediterranea Energia Soc. Cons.a.r.l. for the acquisition of 51% of the share capital held by them in the company Alto Sangro Distribuzione Gas srl, engaged in the distribution of methane gas.

Alto Sangro Distribuzione Gas is present in 24 municipalities of the province of L'Aquila belonging mainly to Atem Aquila 3, and owns almost all of the gas distribution infrastructure, consisting of 537 km of network and about 34,000 grid points.

The financial value of the transaction in terms of enterprise value for 100% of the company is € 40 million, compared to a 2019 operator RAB of about € 38 million. Following the transaction, the company will be fully consolidated by Acea. The agreement is expected to be closed by the end of September.

Acea SpA Growth in the field of waste management and treatment

On 22 April Acea finalised an agreement for the acquisition of 60% of the capital of the companies Ferrocarril Srl and Cavallari Srl (which holds 100% of Multigreen Srl), engaged in the storage, treatment and selection of waste.

The companies, which own a total of four plants with a total authorised capacity of over 145,000 tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals. They are also active in the management of the separate collection of production and packaging waste as well as in the disposal of waste, mainly on behalf of Corepla ("National Consortium for the Collection, Recycling and Recovery of Plastic Packaging").

The economic value of the transaction, in terms of enterprise value for 100% of the two companies, is about € 25 million. The companies will be 100% consolidated by Acea, with an expected annual contribution to EBITDA of approximately € 4.5 million.

For Acea, this represents an important step forward in the path of infrastructure growth in the field of waste treatment and further investment in the circular economy, in line with the provisions of the 2019-2022 Business Plan and sustainability objectives.

Acea SpA Growth in the sector of the design and construction of plants for the environment and water treatment

On 7 May Acea finalised an agreement for the acquisition of 70% of the capital of Simam S.p.A. (Servizi Industriali Manageriali Ambientali), a leading company 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 economic value of the transaction, in terms of enterprise value for 100% of the company, is equal to € 30 million. The agreement envisages the possibility of acquiring additional shares of up to 100% of the company from 2023.

The company will be 100% consolidated by Acea, with an expected annual contribution to EBITDA of approximately € 7 million.

With the acquisition of Simam, Acea vertically integrates its areas of expertise, strengthening its capacity in the construction of infrastructure, ensuring efficiency and flexibility in the operational management of industrial activities, in particular in the circular economy.

Acea SpA Fitch Ratings confirms Acea's "BBB+" rating and "stable" outlook

On 12 May Fitch Ratings confirmed its Long-Term Issuer Default Rating (IDR) for Acea of "BBB+" with "Stable" outlook and the Short-Term IDR of "F2", despite the recent "downgrading of the Italian sovereign rating". The Long-Term Senior Unsecured Rating of "BBB+" was also confirmed.

The opinion reflects Acea's strategic focus on regulated activities, the consolidation of positive operating performance and the good level of liquidity available.

Acea SpA The Shareholders' Meeting of Acea approves the Financial Statements as at 31 December 2019 and approves the payment of a dividend of € 0.78 per share

On 29 May 2019 the Acea SpA Shareholders' Meeting approved the Financial statements and presented the Consolidated financial statements at 31 December 2019.

The Shareholders' Meeting appointed the new Board of Directors defining the relevant fees. The Board of Directors will remain in office for three financial years until the approval of the Financial Statements for 2022.

The Board appointed Giuseppe Gola as Managing Director of the Company.

Acea SpA Standard Ethics raised Acea's Outlook from "Stable" to "Positive". The current rating is "EE-". The Company is part of the SE Multi-Utilities Index

On 27 July, Standard Ethics raised Acea's Outlook from "Stable" to "Positive" thanks to the development of sustainability strategies that are consistent and aligned with international guidelines. The scope of ESG (Environmental, Social and Governance) actions adequately covers industrial, technological, social and territorial aspects. More recently, the implementation process has also involved the sustainability governance system, control tools and risk management. Moreover, significant efforts appear to have been made with respect to gender equality and the promotion of diversity, starting with the qualitative and quantitative composition of the top-level organs. Reporting appears adequate and aligned with the most advanced standards.

Main risks and uncertainties

Due to the nature of its business, the Group is potentially exposed to various types of risks, mainly from natural events, climatic changes and financial market risks (external risks) and operational and environmental risks specific to each business sector, Information Technology and Human Resources (internal risks). In order to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (ERM and Continuous Risk Management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

This combination is designed to ensure effective control of the entire universe of main risks the Group is exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability. In order to contain these types of risks, the Group has implemented mitigation and monitoring as summarised below at both a corporate and business sector level.

For risk mitigation long ago the Acea Group introduced the development and adoption of a Group Insurance Plan based on the following pillars:

- *Third Party Liability*
- *Property Damage*
- *Employee benefits*

More specifically, the first two pillars transfer the economic and/or asset risk deriving from civil liability – in all its general, professional, environmental and cyber forms – and from events (accidental, culpable or malicious) affecting the Group's physical and production assets.

The third pillar, on the other hand, aside from transferring economic and financial risk, implements a corporate welfare measure guaranteeing and paying the employees of the Acea Group significant financial support – both to those directly concerned and to those who may be entitled – in case of serious traumatic events related to both the professional and private spheres.

Still on the subject of risk mitigation, most of the companies of the Acea Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), BS OHSAS 18001:2007/UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.

Note that, on the date of preparation of the current Management Report, we do not expect to be exposed to further risks and uncertainties that may have a significant impact on the results of the Acea Group's operations, equity or financial position, other than those mentioned in this document.

COVID-19 HEALTH EMERGENCY

The international health emergency caused by COVID-19, commonly referred to as "Coronavirus", has evolved rapidly over the past few months. This has led the Italian government in particular to put in place a series of provisions that are both restrictive and of an emergency economic nature, the duration of which is impossible to predict at this time, entailing a substantial change in both the internal and external context.

The Acea Group immediately implemented a series of actions to protect all stakeholders, adapting the policies from time to time as the situation evolved.

The main measures implemented during the period are shown below.

Employees and Workers

Committee for the management of preventive measures against COVID-19

As early as 24 February, the Management Committee for the management of preventive measures against the COVID-19 virus was established as an extraordinary Group Body having the purpose of monitoring the epidemiological situation and the evolution of the emergency, specifying the most appropriate actions to be taken to protect the health of all Acea Group employees.

In particular, the Committee has the following objectives:

- Constantly monitor the spread of the epidemic and the increase in cases of contagion;
- Propose the necessary preventive and precautionary measures;
- Issue behavioural guidance for the company's employees;
- Supervise the proper implementation of the measures adopted and the effectiveness of the guidance given, identifying any critical issues that have emerged and evaluating the implementation of corrective and improvement actions.

Coronavirus Advisory Committee

The sharing and involvement of the social partners in dealing with the emergency makes it possible to identify and analyse any critical issues that are otherwise difficult to respond to. On 3 March 2020 the first meeting of the Coronavirus Advisory Committee was held, consisting of the heads of the prevention and protection service of Acea Spa and the Group operating companies, the head of industrial relations of Acea Spa, the company's coordinating physician, the head of the

assets and facilities management unit of Acea Spa and a representative of each trade union. The Committee will meet periodically until the end of the emergency, and the objectives are identified as follows:

- Report on the progress of activities that the company is putting in place to address the spread of the Coronavirus;
- Report on epidemiological progress as provided by the coordinating physician;
- Note the needs and suggestions of all parties involved;
- Identify any issues of the operating companies and share their solutions.

Health and safety of workers

The Acea Group, which has always been attentive to the health and safety of its employees and all external workers along the entire value chain, implemented prevention and protective measures to manage the COVID-19 emergency at the beginning of February.

For the activities carried out by Acea Group Companies, exposure to Coronavirus does not pose a professional risk as employees perform tasks that do not increase their risk compared to the rest of the population.

However, since working is an activity that may result in people coming into contact with others exposed to the virus, it is necessary to plan a protection strategy aimed at limiting the impact on the organisation based on a risk assessment

The main measures implemented are as follows:

- Internal Circulars and Guidelines for Group companies in order to ensure a coordinated response to the emergency;
- Revision of the Risk Assessment Document and the emergency plans for the COVID-19 health emergency;
- Application of formal procedures for the periodic assessment of the effectiveness of the measures undertaken;
- Creation of communication channels dedicated to the emergency (intranet section, email address, signage);
- Installation of devices for the sanitisation of hands;
- Information on the correct behaviour to be followed for the prevention of contagion;
- Information about the risk of the coronavirus;
- Specific health protocols drawn up by the company physicians;
- Intensification of shifts for cleaning and sanitisation of workplaces, including scheduling periodic sanitisation activities as an additional preventive measure;
- Measures for the protection of the personnel of contractors;
- Procurement of significant quantities of personal protective equipment (PPE) able to meet the needs of all operating companies;
- Information and training on the correct use of the PPE;
- Large-scale teleworking for administrative staff and others who can work remotely;
- Revision of layouts;
- Protection of personnel who are particularly fragile or with current or existing disease;
- Suspension of all activities that involve groups, preferring the use of videoconferencing tools and software;
- Procedures for entering and exiting company premises;
- Requirement to maintain an interpersonal safety distance and obligation to wear adequate protective devices;
- Strengthen all strategic activities to ensure the continuity of services, such as Operating Rooms and Dispatcher Rooms;
- Reorganisation of activities related to the operating world:
 - Splitting of Control Rooms;
 - Contingent operation of operating personnel in the plants;
 - Departure from home of all operators;
 - Splitting into non-overlapping shifts and/or fixed pairs;
 - Where possible, postponement of activities requiring entry into the homes/offices of users;
 - Regulation of the relationship with suppliers to exclude direct contacts;
- Specific measures for the management of all common areas and regulation of the use of environments in order to maintain social distancing;
- Installation of devices for measuring body temperature at site entrances;
- As staff progressively returns to the company, distribution of a kit consisting of: face masks to protect the respiratory system, disposable gloves, hand sanitising gel, sanitising wipes and rules handbook;
- Supervision of the actual implementation of anti-contagion measures;
- Placement of antibacterial films on the surfaces most at risk and multilayer antibacterial mats for the soles of the shoes at the entrances;
- Blood testing conducted in partnership with the staff of the Tor Vergata hospital.

Worker health and safety abroad

Throughout the emergency, the same safety conditions were also guaranteed for workers in the foreign companies of the group. Operational staff has been reduced to the minimum number of people necessary to respond to emergency network calls. Active operating personnel have been equipped with the necessary protective equipment to prevent contagion (masks, gloves, alcohol).

The rest of the personnel is teleworking or alternatively has been placed on paid leave.

The rooms are constantly fumigated, the means of transport (trucks, pick-ups) are constantly disinfected and, where the State does not guarantee public transport, the Company has organised shuttles for the transport of personnel not equipped with their own vehicles (almost all staff) and made available meals for working staff.

Teleworking - keeping people connected, close, active

Acting responsively, being resilient, managing uncertainty and recognising opportunities: these are all characteristics included in the Acea Group Leadership Model. The same traits that over the years have made it possible to promptly manage emergencies and crises that are not infrequent in our business, the COVID-19 emergency being only the latest addition to the list.

Since 2018, with the launch of the Smart People project, a new managerial and organisational mindset has been developed, and in the meantime most employees have been equipped with agile work tools and sharing platforms.

This has made it possible to respond positively to an unprecedented stress test of remote working forced by the current health emergency, enabling more than 85% of the company's population to work from home.

The immediate implementation of teleworking was also made possible thanks to the rapid preparation of connectivity infrastructure and the completion of personal IT equipment by the Innovation, Technology & Solutions Function.

This has allowed the Acea Group to continue to work effectively on all business processes, including those related to the journey typical of people management: selection, welcoming, training, bonuses and development.

This critical moment has become a new opportunity to experiment with innovative ways of working, rethink work organisation, streamline processes, plan activities differently, identify new skills and roles in the company, activate training and development/self-development paths linked to new needs.

To deal with feelings of isolation, loss and difficulty in maintaining high levels of concentration and performance while dealing with critical circumstances and the need for social separation, efforts were made to create a sense of community and sharing and the employees responded quickly, showing a sense of team, an ability to share objectives, full autonomy and a strong sense of responsibility.

Supplementary policy

Given the importance of protecting and safeguarding the health and safety of its workers, the Acea Group wanted to do more than offer a symbolic financial gesture, and therefore it stipulated special insurance coverage at no extra cost to employees (including temps, interns and contractors in general) that guarantees a significant financial contribution in the event of hospitalisation of employees or their family members.

Aside from providing financial support and assistance services in the event of contagion and hospitalisation due to COVID-19, the policy also includes an array of services that can be activated and used even in the absence of contagion and hospitalisation. In fact, it is undeniable that the anxieties and fears generated by the current circumstances are not necessarily linked to actual contagion and contraction of the disease, and sometimes can themselves constitute a real emergency to be dealt with.

Industrial Relations and Welfare

On 3 March an Advisory Committee was established consisting of the trade unions, RLS, RSPP and the company physician with the responsibility of providing advice on measures to combat and contain the spread of the COVID-19 virus in workplaces, in line with the provisions of the Protocol signed between the government and the trade unions.

On 3 April 2020, a Memorandum of Understanding was signed between the unions and Acea concerning measures to combat and contain the spread of the virus.

Confirming the suitability and effectiveness of the measures already put in place by the Company, the agreement introduces further organisational initiatives (training, collective closures and use of individual entitlements) and alternatives to the use of social shock absorbers in order to limit the economic and social impacts of COVID-19.

In the area of welfare, a series of initiatives were implemented to provide psychological support to people who are in a state of fragility and isolation due to the spread of COVID-19.

Moreover, webinars for Acea Group staff were scheduled to offer employees and their families information and advice on how to deal with events of this nature through resilience and the ability to transform limits into resources, with a specific reference to the adoption of new lifestyles and work such as agile work at home and teleschooling.

As part of the Welfare initiatives, during June and July a parenting support service was launched, designed to help balance the needs of life and work. Called "My Family Club", the project consists of remote edutainment services that consist of educational activities and experiential workshops for the children of employees (6-14 years) of the Acea Group.

In the Well-being sector, an agreement was finalised with a network of sports facilities that allows employees and their families to use them free of charge for the month of July.

Investors

In the first half of 2020 the health emergency led to a significant global financial and economic crisis. Stock exchanges all over the world initially saw strong declines, but then partially recovered losses thanks to monetary and fiscal measures taken by central banks and governments. From the last days of February 2020 (when the pandemic began to influence the performance of developed countries' stocks) to the end of June, European indices on average lost 16%, the Italian market 23% and the American stock exchange about 8%. In the same period, Acea's share price dropped about 19%.

Analysts and leading international institutions estimate that the COVID-19 emergency could lead to a drop in global GDP in 2020 of around 5% (about 13% for Italy).

Shareholders and lenders

In view of the fact that the characteristics of the businesses managed by the Acea Group, 86% of whose EBITDA is generated by regulated activities, and in light of the chronology of events and news during the second quarter of 2020, the regulatory areas governing the Acea Group's businesses have not changed significantly due to the aforementioned health emergency.

However, it is believed that cash inflows may decline in the short and medium term, although it is hoped that equalisation mechanisms will be put in place to support the customer segments most exposed to the effects of the emergency.

With regard to the financial impact both in the short and medium term, there are no significant uncertainties for the Acea Group in dealing with the "coronavirus" emergency and the effects that this could reasonably cause, also because of the company's ability to continue to operate as a going concern thanks to the Group's solid financial structure.

Customers and the market

Environment Segment

The companies of the Environment Segment provide essential public services, and therefore are exempted from the suspension of production established by the Italian ministerial decrees issued over time to combat the epidemiological spread of COVID-19.

During the lockdown there was a temporary reduction in the SRF input at the San Vittore waste-to-energy plant resulting from the treatment of undifferentiated waste produced in the Rome area, given the substantial drop in tourism and commuting. However, Acea Ambiente has implemented measures to compensate for the effect, reserving additional and temporary space for the other contributors. In any case, things have currently returned to normal.

There have also been localised reductions of some special waste delivered to some liquid waste treatment platforms of the Segment due to the shutdown of manufacturers.

The other plants operated at substantially the same productivity levels as before the spread of the epidemic.

Specific regional ordinances have also identified the treatment plants of San Vittore del Lazio (UL3) and Orvieto (UL4) as facilities for the destination of undifferentiated waste produced by the infected or quarantined persons in their respective regions (Lazio and Umbria).

Almost all regions have issued ordinances halting separate collection for infected and quarantined persons, with impacts on the type and quantity of municipal waste entering the Segment's facilities. Given the low spread of contagion in most of the territories it operates in, there have been no other significant effects other than those summarised above.

Water segment

Market context

Despite the need to stay at home or in any case to limit travel, water consumption has not changed and has remained almost constant due to the combined effect of the reduction in consumption of non-domestic users (industrial, commercial, etc.) and the increase in consumption of domestic users. In large cities there has been a reduction due to the blocking of tourism.

The restrictions on manufacturing implemented by the regulations have resulted in some modest changes to normal activity, including:

- A reduction in receipts that Group companies are now trying to recover, since from June they have been able to start debt recovery procedures;
- A slight slowdown in the development of investments, which the IWS operators of the Acea Group have now restarted by putting in place all the measures and actions needed to allow the safe operation of the sites in order to remain on schedule with the Works Programme, and in particular the achievement of the objectives set out in resolution no. 917/2017/R/idr - RQT.

Market forecasts will still be affected:

- By the persistence of the current widespread health emergency;
- By the evolution of the health emergency, as the necessary precautions must be taken to prevent a return of the contagion;
- By national and regulatory legislation that must guarantee both the protection of users and the continuity and availability of the service in a necessarily comprehensive perspective, as also underscored by ARERA itself in recent resolution no. 117/2020/R/com.

Community and users

In compliance with the provisions of the regulations pertaining to the COVID-19 health emergency, as well as in compliance with the resolutions of ARERA, the main preventive and precautionary measures taken by the IWS operators of the Acea Group to ensure continuity and availability of the service in conditions that are safe for the public and operators concerned entail, among other things:

- Raising awareness of the use of alternatives to physical branches – web, apps, toll-free numbers, emails through which it is possible to carry out any type of activity – following the closure of physical branches in order to prevent groups of people;
- The suspension – from before the provisions of ARERA – of debt recovery activities, in particular service disconnections, as well as the opportunity for users in financial difficulty to request the deferment of the payment terms of expired or expiring bills;
- The division into instalments of bills due, issued, or with consumption dating to the emergency period.

Additional measures to protect users compatible with current regulatory legislation (resolutions 580/2019/R/idr and 235/2020/R/idr) are being shared with the Area Governing Bodies of the territories served.

areti SpA

The health emergency period and the subsequent lockdown imposed by the government inevitably affected national energy needs (both electricity and gas), providing a measure of the impact of the epidemic on the real economy. At a national level the decline in electricity demand in the period observed stands at about 20% lower than the average for the same period of 2015-2019.

The reduction in electricity consumption, combined with the sharp decline in gas and CO₂ prices, mainly driven by a slowdown in the world economy, also pushed down electricity prices.

With regard to the distribution of electricity around Rome, it should be noted that the legislative interventions related to the COVID-19 emergency, which have forced the closure of numerous commercial and industrial activities, have led to a significant reduction in the energy distributed through the grid managed by areti SpA, essentially in line with what is happening nationally. In March 2020 there was a decrease of about 12% compared to March 2019, while in the first week of April consumption dropped 20%, trending towards an increase.

With regard to measures to support the users of essential services, in line with the provisions of ARERA areti suspended disconnections of families and companies due to arrears in all the territories served. Consequently, any electricity service suspended, limited or deactivated after 10 March 2020 was switched on again.

With specific reference to electricity distribution companies, ARERA put in place a mechanism to mitigate their risk of financial exposure consisting in the right to pay CSEA and GSE the greater of 80% of the monthly turnover for April and May for general system charges due in the period 1-30 April and the portion actually collected of that same turnover instead of the amounts envisaged by the current regulation. For June invoices the percentage has been raised to 90%.

With regard to energy production, Acea Produzione sells the energy produced by its plants on the wholesale markets, which are currently seeing prices more than 30% lower than before the coronavirus emergency. Some of these negative effects are mitigated by the lower purchase cost of commodity gas and CO₂ used in thermal power generation as well as by the presence in the portfolio of plants from incentivised renewable sources (these plants mainly have a regulated revenue structure and therefore only partly dependent on wholesale energy prices).

A further impact on Acea Produzione's activities is the slowdown in certain investments caused by the suspension of the projects under way. Most of these activities are expected to be continued in the course of the year and some have already been restarted. Only the continuation of the lockdown could lead to the rescheduling of certain investments to next year.

Commercial and Trading Department

Specific health and safety measures

In addition to applying the provisions established by the Group, using a poster in the building di Piazzale Ostiense and the Ostia branches open to the public Acea Energia has widely disseminated informative materials such as the guide of the Ministry of Health, the correct procedure for washing hands and the provisions relating to social separation. Hand sanitising gel distributors were installed in these same spaces.

As the main preventive measure, from 10 March the employers decided to implement mass use of teleworking for Acea Energia and Acea8cento personnel who could work remotely and for employees at the Ostia branch, closed on that same date. The staff of the Ostiense branch were equipped with adequate protective devices until the closure to the public on 16 March, the employees then shifting to teleworking.

Acea8cento's call centre now operates remotely, with the transition of all staff to teleworking from 18 March.

Teleworking for all operational personnel was extended until 31 July, while, with the start of phase 2 in May, attendance of management and those who report to them at the EUR headquarters resumed with shifts and alternating schedules.

Relations with the public and customers

Due to the COVID-19 epidemiological emergency, the Piazzale Ostiense branch was closed from 18 March to 1 June. The reopening was preceded by the preparation of the branch's spaces, including the affixing of horizontal and vertical signs to channel flows and maintain distance between customers both outside and inside the branch and between customers and personnel. To this end, the use of the desks inside the branch has been discontinued and the number of active counters has been reduced. Furthermore, the entrance of customers into the branch is managed and a telephone reservation service has been put in place with a dedicated toll-free number. The reopening of the Ostia branch has been postponed until a later date.

Since the onset of the epidemic, customers have been advised of the possibility of managing their accounts via telephone, chat systems, customer areas in the websites and apps on smartphones. Similar information has been published on the websites www.aceea.it (free market), www.servizioelettricoroma.it (standard market) and on the social networks of the free market (Acea Energia Facebook page), with the tagline "We remain close to you, even from afar" and the hashtag #iorestoacasa (#imstayinghome).

Emails were also sent to customers in the open and standard markets to encourage the use of the customer area on the website.

Specifically:

- Standard Market: sent to about 199,000 customers
- Free Market: sent to about 166,000 customers

Acea Energia is currently processing the surveys carried out regarding customer conduct during the lockdown in order to assess the effectiveness of these tools and the further development of virtual channels and services.

The contact centre is still active, and for the entire duration of the lockdown guaranteed a performance that is qualitatively and quantitatively in line with the service offered before the health emergency.

Furthermore, in compliance with the legal provisions for the prevention of the spread of COVID-19, throughout the lockdown Acea Energia suspended door-to-door sales and closed the Acea Shops: These activities were restarted in May with the beginning of Phase 2. The toll-free number 800.130.333 for commercial offers has remained active throughout, and telemarketing continued even during the lockdown.

All customer management back office activities, including the response to written requests for information and complaints, are guaranteed by teleworking staff.

The period during which the branches were closed allowed those employees to be deployed to back office services, further improving service performance.

Customer-support measures and the overall impact of the emergency

In compliance with the provisions of ARERA, Acea Energia has blocked disconnections due to the late payment of electricity and gas bills for the period of the maximum emergency. The Company has also voluntarily taken extraordinary measures with respect to its customers throughout the country both in relation to payments and to ensure the management of commercial or care requests, reinforcing the back office units in the operations area. More specifically, all debt collections were halted along with the stoppage of suspensions due to arrears, and exceptional instalment payments were introduced during the emergency period.

Always in compliance with the provisions of ARERA, credit collection was restarted in July, maintaining the utmost attention to situations of fragility caused by the health emergency.

The overall impacts of the emergency on the sector are being assessed by all stakeholders in the electricity and gas supply chain, starting with ARERA. Of particular relevance are the effects of the lockdown on the consumption of the business segment (both for large and industrial customers and for small and micro customers, such as professional firms and commercial activities).

As part of the activities being carried out for forecasting 2020 and updating the multi-annual plan, the Commercial and Trading Segment is performing assessments relating to the different scenarios subsequent to the emergency and estimates of the overall impacts, forecasting a reabsorption of the effects.

Local community

Sustainable Development Goals (SDGs)

The COVID-19 pandemic that spread worldwide in the first months of the year, affecting every consolidated structure of human existence starting with the protection of health and the exercise of normal social dynamics, has underscored the major critical issues of an unsustainable development model. Important insights into the cause and effect relationships between social, economic, environmental and infrastructural aspects of the pandemic have been initiated and are ongoing to date, but there seems to be a shared view that a better approach to sustainability could and will reduce and mitigate the negative effects of other similar events in the future.

Responses to the emergency by institutions, businesses and civil society were aimed at safeguarding life and health, ensuring, as far as possible, the continuity of personal activities and mitigating the social repercussions of the inevitable negative impacts caused by the lockdown.

In this situation of crisis and uncertainty, utilities demonstrated their resilience, maintaining ordinary operating conditions in the performance and provision of public utility services that allowed hard-hit communities to enjoy a certain level of safety and normality. Numerous initiatives were put in place to protect the broad audience of stakeholders, from company personnel to users and local communities.

Today, having made it through the toughest moment for the country and maintaining a high level of vigilance against surges and preparing to deal with any relapses, we start a new phase of reprogramming a new context and a new development model where the reference to the pursuit of sustainability objectives remains central. All public institutions, from the European Union to the Italian government, have moved in this direction. The confirmation of the Green Deal and sustainability objectives by the Commission is evidenced by the political programmes and financial instruments currently being defined, aimed at allowing a recovery that is not only a resumption of previous conditions but a leap forward, a transformational resilience.

The Acea Group is facing this moment fully aligned with these perspectives. It managed the emergency phase with the utmost care for the protection of its stakeholders and is planning to return to a new normal, drawing on the experience and steadfastly confirming its choice of a sustainable and socially responsible management model.

Environmental and energy impacts

With resolution no. 117/2020/R/com, ARERA granted the electronic transmission of bills in the period from 10 March to 13 April in response to the issue raised by Poste Italiane that for the period from 23 to 27 March it could not guarantee the acceptance of correspondence sent through the business acceptance centres (so-called large customer acceptance centres), also noting that this critical situation could persist even longer.

By sending the bill electronically, IWS operators can also promote the use of automatic payment methods such as direct debit, postal payments or credit card.

For ARERA, the implementation of electronic transmission and the push for the automatic payment of bills is a choice that

- Allows a quick response to change;
- Helps to limit the financial impact generated by the issues being dealt with by Poste Italiane.

It should be noted that the adoption of "web bills" is, among other things, one of the targets included in the 2018-2022 Sustainability Plan. In fact, electronic billing saves tonnes of paper, reduces CO2 emissions, water use and fuel consumption.

Local initiatives

Throughout the health emergency, Acea helped local authorities that worked on the front lines by offering technical and financial support. In fact, the Committee responsible for Sponsorships and Donations has approved a series of appropriations for the structures included in the COVID-19 network, including:

- Agostino Gemelli Hospital in Rome: contribution for the preparation of a new department in the Columbus clinic;
- San Pio Hospital in Benevento: contribution to the purchase of instruments for intensive care at the only city hub receiving patients suffering seriously from COVID-19;
- Salvo D'Acquisto barracks in Rome: free supply of electricity to supply the mobile hospital set up by the Palidoro Mobile and Specialised Carabinieri Unit Command;
- INMI Lazzaro Spallanzani of Rome: donation following the internal fundraising promoted by Acea that involved employees and the CRA;
- Istituto Dermatologico dell'Immacolata (IDI) in Rome: financial contribution for the preparation of a new intensive care department.

Furthermore, a contribution was made to the Community of Sant'Egidio in Rome for the urgent purchase of food and sanitary equipment (sanitising gels, detergents, masks) to be distributed to the homeless and the less well-off.

Even in the subsequent months, at the end of the lockdown (phase 1), prevention and protection remained the primary focus, especially with respect to the most vulnerable members of the population. To this end, contributions have been made to:

- The Italian Multiple Sclerosis Association for the procurement of medical equipment (FPP2 and FPP3 masks, disinfectant gel, single-use gowns and gloves, thermoscanners) essential for the safe continuity of services offered by Rehabilitation Centres;
- The Italian Red Cross – Rome V section, which with its volunteers offers, among other things, the service of shopping and delivering medicines at home to the elderly and fragile, as well as distributing food to the most needy families as identified by the Municipality of Rome.

At the same time, with the relaxation of the most restrictive measures, Sponsorships have resumed in support of sporting and cultural events that take place outdoors and with strict procedures in compliance with current legislation, allowing the public to engage in social events after a long period of isolation and offering the Acea Group a chance to help revive the territory it operates in.

Institutions

Granting the requests received from the major institutions – the Presidency of the Republic, the Presidency of the Council of Ministers, the Constitutional Court and the Capitol – wanting to send a strong signal to Italians and to express a sign of solidarity and hope in this difficult and dramatic period, the Acea Group illuminated their respective institutional buildings with the Italian colours.

The supply chain

Considering the impact of the ongoing health emergency on the economy and the restrictive measures adopted by the Italian government to contain the contagion, given the need to ensure the continuity of supplies the Acea Group has carried out an analysis of the supply market, with particular reference to strategic suppliers/contractors that may be in a situation of contingent difficulty in order to adopt any necessary corrective/preventive actions.

Still today, no guarantees are required to accompany the offers and the obligation of a preliminary inspection for the submission of a bid has been abolished.

Regulatory authorities and legislation

ARERA initiatives

In response to the COVID-19 emergency, ARERA immediately urged all regulated operators to ensure the continuity of services, announcing that it would issue specific measures to postpone deadlines, make exceptions for some aspects of the regulation and study specific support measures in favour of consumers and users (Communication to operators dated 11 March 2020).

Below are the main actions taken so far that concern many of the activities managed by the Group (IWS, Electricity Service for the standard market, Sale of energy and gas on the free market, Energy Production, Waste Management, Electricity Distribution) aimed at mitigating the financial impact of the current emergency.

Resolution 59/2020/R/com excluded the obligation to pay automatic compensation for "force majeure" for non-compliance with both specific and general quality standards.

Resolution 60/2020/R/com and its subsequent amendments and additions ordered:

- The **blocking of disconnections due to arrears** for the supply of electricity, natural gas and water, even for bills expired before 10 March 2020, as well as the obligation to immediately **reactivate any supplies** that had been **suspended** after 10 March 2020. The suspension of disconnections concerned: for electricity all low-voltage customers, for gas domestic and non-domestic customers with consumption not exceeding 200,000 cubic metres/year and for the water sector all users (domestic and non-domestic). With subsequent measures, the blocking of the disconnections was extended and then ended on 17 May, maintaining it in the last period for the benefit of domestic supplies only.
- The establishment of a new extraordinary management account with the Cassa per i Servizi Energetiche e Ambientale (CSEA) with the aim of supporting the immediate availability of financial resources for the actions that the Authority may order in favour of end customers in the electricity, gas and water sector.

On the same subject, with **Resolution 117/2020/R/com** the Authority ordered that the operators (of the standard market, holders of PLACET contracts and the integrated water service):

- Provide for **payment by instalment** without interest for bills due issued during the lockdown (which, as a result of subsequent measures already mentioned, was extended until 17 May) or include any consumption during that time;
- The obligation to **communicate** to the customer/user the **possibility of payment by instalment** in the notice of arrears;
- The right to **send bills even in electronic format** to those customers/users who have made their email or mobile phone number available
- The obligation to **remind the customer** that **payment** can also be made through **automatic methods** (direct debit, postal bill or credit card) and that they can request to **receive the bill in electronic format** instead of on paper.

In addition, for the water sector, upon notification by the competent AGB (Area Governing Body) of extraordinarily significant **financial critical situations**, ARERA may use the **new extraordinary management account** envisaged in resolution 60/2020 (see above).

It should be noted that, consistent with the extension adopted by the government with Ministerial Decree of 10 April 2020, the Authority extended until 3 May both the measures relating to the suspension of credit protection for non-performance of payment obligations (delinquency) envisaged in Resolution 60/20 (“disconnections halt”) and the additional protection measures envisaged with Resolution 117/20 on instalments and billing.

Resolution 74/2020/S/com provides for the **suspension** until 31 May 2020 of **sanctioning procedures** that have already been initiated or are yet to be initiated.

Resolution 75/2020/R/com provided for the **temporary suspension** until 30 April of **payments for electricity, gas, water and municipal waste** for the **11 municipalities of the so-called red zone**.

Resolution **86/2020/R/EEL** postponed by six months the date for the **submission of the documentation** necessary for attesting to and certifying the conformity of devices installed at **new production and/or consumption plants**, to be produced to certify **compliance with CEI Standards** (CEI Standard 0-16 – 2019 Edition or CEI Standard 0-21 – 2019 Edition).

With resolution 102/2020, following the Cura Italia decree law postponing payment of Tari 2019 until 30 June, it requested all useful information from **local authorities and urban waste managers** to adopt measures aimed at mitigating the **effects of the emergency situation** on the economic/financial balance of the services, in order to ensure their continuity. The useful information includes: additional charges, impacted activities, tariff management, users most deserving of protection.

With **resolution 116/2020/R/COM and subsequent amendments** ARERA intervened by deciding on temporary exceptions due to possible delays in payments or partial payments of the sellers to the distributors for the electricity transport and gas distribution bills issued in April, May and June:

- For the sellers, it **defers the actions** envisaged to **protect the receivables** of the distributors;
- For distributors, it establishes that they may **pay CSEA and GSE general system charges to the extent of at least 80%** of the invoiced charges (90% for invoices issued in June) or to a greater extent if the amount collected from the sellers has been greater.

For both, after acquiring and analysing the performance of the volumes of service provided in March 2020, the Authority reserved the right to assess the opportunity to intervene with a further measure to ensure the sustainability of the financial effects of the provisions introduced by this measure on network operators, also in light of the ongoing contraction in the volumes of service provided.

Further actions in the Energy sector

With consultation document no. 193/2020/R/com, ARERA proposed initiatives to allow the settlement of the lower payments made by the sellers by the end of the year.

With resolution 190/2020/R/eel it reduced the fixed quotas related to grid services and general system charges due for low voltage supplies for non-domestic uses for the months of May, June and July 2020.

Resolution 192/2020/R/com extended the exceptions introduced by 116/2020/R/com until June, and at the same time initiated a procedure to define the methods and timing of final payment by electricity transport and natural gas distribution users of the total amount invoiced and not collected by distributors in the period 1 April 2020 - 30 June 2020.

Resolution no. 248/2020/R/com completes the aforementioned procedure by giving each user the possibility to choose whether to pay the balance in a single solution or to access a quarterly instalment plan with instalments of a constant amount without the application of interest starting from September 2020.

As regards the exceptions to the regulation of the guarantee system in case of downgrade of the rating, the period has been extended until 31/07/2020 but the exception will remain active for a maximum of 12 months.

Further actions in the Water sector

Resolution 235/2020/R/idr adopted a series of measures aimed at mitigating the effects deriving from the emergency situation both by deferring certain timing (QT 2018-2019 data collection postponed to 17 July 2020 and end of the MTI-3 tariff preparation postponed to 31 July 2020) and by intervening specifically on the RQT1 and RQSII structure (biennial assessment of the 2020 and 2021 targets), on the regulation of the measure (exceptions for the year 2020 relating to the obligations to acquire metering data and to the determinations on industrial waste authorised for discharge into public sewerage), and on the 2020-2023 tariff regulation. With regard to the latter, some parameters related to the remuneration of investment costs for ongoing works were partially revised, the possibility was introduced to calculate a forecast related

to the COVID-19 emergency and to recognise a component that compensates for the effects of any payment delays granted in 2020 or the immediate failure to initiate procedures for the recovery of related receivables. Other specific measures concern the social sustainability of tariffs: the authority of AGBs to allocate any excess resources in 2020 and 2021 to further breaks with respect to those offered in 2018 and 2019 for the provision of the supplementary water bonus to those entitled, and to postpone the recovery of the portion of the charges eligible for tariff recognition in 2020 relating to any increases in the tariff multiplier to years after 2020, and in any case no later than 2023. Regarding the exercise of the latter option, and provided that the operator is suffering from financial difficulties, an advance is also available from the CSEA, to be repaid by June 2022.

Further actions in the waste sector

With Resolution 238/2020/R/rif ARERA introduced some elements of flexibility that the territorially competent bodies (TCB) can use to facilitate the exit from the emergency phase while ensuring the continuity of essential services. In particular, during the current year the TCBs may request coverage of any emerging costs or expected deviations compared to the costs for 2018 related to the management of the emergency phase. The measure also provides for the possibility for the TCB to request a financial advance from the CSEA for an amount that takes into account the lower revenue deriving from the application of Resolution 158/2020/R/REF, which introduced some adjustment factors for certain types of non-domestic users.

Regarding the contractual management of customers

Billing

Resolutions 184/2020/R/com and 186/2020/R/idr implement art. 1, paragraph 295 of Italian Law no. 160 of 27 December 2019. From 1 January 2020, energy and natural gas customers and users of the integrated water service belonging to the types specified by current law and regulations may "in all cases" waive the limitations for amounts invoiced relating to consumption dating back more than 2 years.

Formal notice

With Resolution no. 219/2020/R/com, for all unpaid bills the seller is required to provide formal notice to the final customer via registered letter with return receipt or certified email. The minimum period after which the supply may be suspended due to arrears may not be less than 40 calendar days from the date of service of the formal notice. In addition, some additions and modifications to the compensation system are envisaged, including the extension to MV customers, to take into account the longer notice period.

Resolution no. 221/2020/R/idr modified and further developed some of the provisions introduced by REMSI. Specifically: the "Payment reminder" can only be sent to the end user by registered letter with return receipt or certified email; for the "Formal notice procedure" the deadline by which the end user is required to pay the amounts due may not be less than the 40 calendar days envisaged by current legislation, calculated from the user's receipt of the payment reminder.

Legislative actions

Some recent regulations that are of particular importance for businesses managed by Acea Group companies are undoubtedly those included in the conversion of the Cura Italia Decree into law.

The aforementioned Italian Decree-Law no. 18/2020 was first converted with Italian Law no. 27/2020 and subsequently amended by Italian Decree-Law no. 34/2020, the so-called Relaunch Decree.

The latter introduces urgent provisions for the liquidity of contracting companies such as, precisely, the increase to 30% of the advance provided for in article 35, paragraph 18 of Italian Legislative Decree no. 50/2016, makes changes regarding the suspension of deadlines in administrative procedures and provides for the temporary exemption of the payment of Anac contributions.

Liquidity Decree no. 23/2020 was converted with Italian Law no. 40 of 5 June 2020.

In fact, many of the measures adopted by the aforementioned decree have been confirmed: among them those relating to access to credit, the postponement of certain tax obligations, measures to ensure business continuity, provisions on health and work and the extension of administrative and procedural deadlines.

During the conversion, however, some important amendments were also introduced, such as the rule limiting employers' liability for incidents related to COVID-19.

The law confirmed the revision of the regulatory framework governing the public procurement sector to be implemented through the publication of the Implementing Regulation of the Code of Public Contracts, which is still being adopted.

Among the various regulatory provisions envisaged in the aforementioned draft, of particular note is a rule aimed at modifying the integrated contract, the provision under which the RUP is required to undergo training as a project manager, as well as the abolition of some ANAC Guidelines.

Finally, a further reform is being defined, to be implemented through the issuance of the Simplifications Decree, which will make further changes in terms of public contracts.

COMPETITIVE-REGULATORY RISKS

Regulatory evolution risk

As is well known, the Acea Group operates mainly in regulated markets and the requirements and obligations that characterise them (as well as changes in the rules of operation of these markets) can significantly affect the results and performance of operations. In particular, several Group companies manage the Integrated Water Service in their respective Territorial Areas, which is known to be a sector receiving an increasing level of attention from lawmakers and the Sector

Authority (Regulatory Authority for Energy Networks and Environment - ARERA). The Group is therefore exposed to the evolution of the relevant legal/regulatory frameworks in the areas served.

In this regard, it should be noted that following the extension of ARERA's regulatory and control powers to waste management, Companies in the Environment Segment are also exposed to potential risks arising from changes in the regulatory framework.

On the other hand, with regard to the rules of territorial planning and governance of the Integrated Water Service, two different bills have been drafted, AC 52, first signatory Hon. F. Daga, and AC 773, first signatory Hon. C. Braga, which were aimed at dealing with the government and public management of the integrated water cycle in different ways.

These risks are mitigated by careful monitoring of regulatory developments, interacting with the relevant bodies and participating in association and institutional meetings carried out by the competent business structures in synergy with the Group's organisational structures. These structures monitor regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and guidance for the consistent application of regulations in corporate procedures and within the electricity, gas, water and environment businesses.

Political, social and macroeconomic context risk

In providing services to its customers, the Acea Group is very attentive to the expectations and choices of its institutional, regional and central counterparts. On the other hand, most of its activities are in any case sensitive to the economic and structural dynamics experienced by the economic and productive fabric of the respective regions.

In this sense, the main factors influencing the Group's performance include changes in the political, social and macroeconomic context of reference. These uncertainties can have an impact on the achievement of economic/financial objectives and investments, as well as on the implementation of major works, whose timing can be influenced by changes in government structures at both a central and local level.

With regard to the development initiatives envisaged in the Business Plan in the Environment Segment (growth through M&A and construction of greenfield plants), there is a risk deriving from the failure of the competent authorities to issue permits.

The Group has historically focused on guaranteeing levels of excellence in the technical and commercial quality of the services provided, including through dialogue models that are increasingly attentive to the needs expressed by its stakeholders in order to put in place virtuous dynamics in relations with its customers, also with regard to payment habits. In this regard, it should be noted that the Group is also subject to the risk of deterioration of its credit positions, particularly in connection with the provision of the Integrated Water Service, with consequences on the exposure of working capital. This risk is managed proactively by the relevant structures of the individual companies, applying specific Group Credit Policies and with the support of the Parent Company's relevant organisational structures.

NATURAL RISKS

Some of the risk that the Group must deal with includes possible impacts deriving from unpredictable natural phenomena (e.g. earthquakes, floods and landslides) and/or from cyclical or permanent climatic changes on the networks and plants managed by Acea Group companies. The first types of risks are addressed through the implementation of structured tools for the governance of assets, specific to each business area (e.g. Water Safety Plan within the IWS; constant monitoring of the reservoirs, also carried out in collaboration with the competent Ministry, in the field of dam management), as well as with projects, some of national scope, aimed at increasing the resilience of the infrastructure in the various regions (e.g. the project to double the Peschiera-Le Capore aqueduct). The residual portion of risks from natural events is covered by the Group's insurance programme mentioned on the previous pages.

For 13 years the Acea Group has been demonstrating its concrete commitment to tackling and mitigating the risks related to climate change, not only through the reporting included in its Sustainability Report, but also by disseminating its strategies and illustrating the actions taken and the initiatives organised through participation in the Carbon Disclosure Project (CDP), receiving a score of A- in 2019 and thus being included in the Leadership category.

This important result has further stimulated the Acea Group to progressively align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), not only in its metrics and targets, but also in its governance and risk and opportunity management, as a useful tool for improving its strategy for mitigating and adapting to future scenarios.

In fact, for the Acea Group, due to the nature and location of its business lines, the main issues related to climate change could arise in operational, regulatory and legal areas, with potential effects also on finances. As far as the first aspect is concerned, chronic meteorological events like the reduction of rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed, with among other things an increase in energy consumption for the withdrawal of water from less favoured sources. On the other hand, extreme phenomena such as storms can lead to the risk of lightning strikes, blackouts or, for the water network, overflow of drains connected to the wastewater systems and turbidity of the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent financial penalties. The implications of regulatory actions on CO₂ emission allowances, renewable sources, taxes and energy efficiency certificates could be very significant, with possible financial impacts.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of the business exposes the Acea Group to the risk of non-compliance with consumer protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair trade practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers), as well as the risk of non-compliance with the regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities like market allocation, manipulation of tenders, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).

Acea adopted a specific Antitrust Compliance Programme and appointed a Holding Antitrust Officer. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of respect for the principles of fair competition and consumer rights. The main Group companies adopted the Antitrust Compliance Programme in line with the indications of the Holding Company, and set up organisational structures in which Company Antitrust Officers were appointed, given the task of managing the activities to adapt the Programme to the individual companies and supervise its implementation and maintenance.

Regulatory risks also include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14001: 2015 and BS OHSAS 18001: 2007), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.

Following the introduction of some crimes that expand the catalogue of predicate offences capable of triggering the responsibility of the Bodies pursuant to Italian Legislative Decree no. 231/2001, the Acea Group has started the progressive updating of the companies' respective organisational models, starting with that of Acea spa, approved by the Board of Directors on 22/01/2020. In addition, preparations have already begun for updating the law converting Italian Decree Law no. 124/2019 of 17 December 2019 that came into force on 25 December 2019, which introduced some tax crimes among the predicate offences in Italian Legislative Decree no. 231/2001.

As part of the general Group Whistleblowing Procedure aimed at regulating the system with which anyone can make voluntary and discreet whistleblowing reports, guaranteeing the confidentiality of the identity of the whistleblower and thus protecting him/her from any retaliation, the rules governing Whistleblowing relating to unlawful conduct have been updated, also pursuant to Italian Legislative Decree 231 of 2001 and/or violations of the 231 Model, expanding the possible channels of communication to include a specific IT platform soon to be adopted, accessible by everyone (employees, third parties, etc.) on the website of each Group Company, and by employees of the Italian Companies of the Group having access to the company's Intranet.

It should be noted that some consolidated companies (*areti*, *Acea Ato 2*, *Acea Elabori* and *Acea Ambiente*), as more fully illustrated in the relative financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/2001 concerning safety and/or the environment. There are also complaints for corporate offences relating only to *Acea Ato 5*.

On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company Acea, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.

Finally, other additional regulatory risks that may potentially be of particular relevance for the Acea Group include those arising from the Privacy Regulation (EU) 2016/679 GDPR.

The Acea Group's compliance programme has made it possible to define and implement a Privacy Governance Model that is valid for the Group, taking the Parent Company as a privileged area of observation in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at the Companies with a logic of priority at the core processes of each business area. The online training programme offered using an e-learning platform that was successfully implemented in the previous period for the Parent Company has been extended to the Companies to provide a first layer of compliance with the obligation for Data Controllers to instruct data processing personnel, providing them with training on individual corporate processes as well as a particular focus on cross-cutting procedures (HR, Legal, etc.).

Corporate working groups have been set up to customise the Group Model in the individual companies, with effects on the implementation and/or fine-tuning of processes having a high impact on privacy, and initiatives have also been carried out to test compliance solutions already adopted.

No computer incidents have been reported affecting the personal data held by Group companies during the period 2018-2019.

Commercial and Trading Segment

With regard to the Commercial and Trading Segment, the main operational risks associated with Acea Energia's activities in the deregulated electric power and natural gas markets are the risk of a possible progressive concentration of operators in these markets, with an impact on the Company's customer base growth plans and its positioning.

There is also a risk connected with the extension of the Protected Service and the definition of the procedures for its closure, which could affect company strategies.

In order to ensure the success of the development initiatives envisaged in the Business Plan, the Segment companies have launched change management projects, mitigating the risks associated with the non-involvement of all personnel (staff and line personnel, managers and others).

Acea Energia also has typical business risks deriving from an efficient and effective management of billing and credit recovery processes, where it is affected by the sub-optimal performance of electricity and gas distributors.

Information about commodity price risk and the control tools adopted is provided in the financial risks section.

Networks Area

Potential sources of risk referable to the distribution of electricity in the Municipalities of Rome and Formello derive from the implementation of the development plans of the 2019-2022 Business Plan (fibre optics project, 2G smart metering project, resilience plan of the distribution network) and the monitoring of information security and systems.

With regard to plant safety, the Companies operate by implementing protocols, procedures and controls in accordance with the provisions of current regulations and in full collaboration with the relevant Authorities and Institutions.

With regard to the continuity of service, in addition to the aforementioned development plans, areti has implemented specific initiatives relating to the public lighting service provided in the Municipality of Rome, such as plans to modernise and reclaim the network.

In general, the main risks falling within this business segment can be classified as follows:

- risks relating to the effectiveness of the **investments** for the replacement/renewal of grids, in terms of expected effects on the improvement of service continuity indicators;
- risks relating to the **quality**, reliability and duration of works;
- risks relating to the ability to **meet the terms** for obtaining prescribed authorisations, regarding both the construction and start-up of plants (pursuant to Lazio Regional Law 42/90 and related regulations) and performing work (authorisations of Municipalities and other similar authorisations), according to the need to develop and enhance the plants;

The risk relating to the effectiveness of **investments** basically stems from the increasingly stringent ARERA service continuity regulations. To deal with this risk, areti has strengthened the tools for analysing network performance in order to make increasingly better use of capital expenditure (e.g. ORBT project) and applied new technologies (automation of medium voltage network, smart grids, etc.).

As far as the risk linked to **work quality** is concerned, areti implemented operational, technical and quality control systems, including the creation of the Worksite Inspection Unit, which forms part of the Quality and Safety department. The results of the inspections, which are processed electronically and statistically analysed, give rise to rankings (reputational indicators) and a "vendor rating" system, developed in collaboration with the University of Tor Vergata (Rome). This system ranks contractors according to their reputation, scored on the basis of their ability to meet the quality and safety standards for worksites.

The good level in the reputation indicator was confirmed for companies that worked for areti.

The risk relating to the ability to **meet deadlines** arises from the number of entities that have to be addressed in the authorisation procedures and from the considerable uncertainty linked to the response times of these entities; the risk lies in the possibility of refusals and/or in the technical conditions set by the above entities (such as the construction of underground rather than above-ground plants, with a subsequent increase in plant and operating costs). It should also be noted that lengthy proceedings result in higher operating costs, are difficult to deal with for operating structures (drafting and presentation of in-depth project examinations, environmental studies, etc.) and require participation in service conferences with technical meetings at the competent offices. However, the substantial risk is still essentially linked to the failure to obtain authorisations, with the result being the inability to upgrade plants and the subsequent greater risk linked to the technical performances of the service (at present there are delays in upgrading the HV network in the coastal area and the Terna procedure to construct a new Castel di Leva primary substation). Note that a particularly critical point is the long response times of a number of the administrations contacted.

Finally, areti has adequately mitigated the risk to "typical" business areas like the integrity of its assets, adequate health and safety at work and its exposure to counterparties such as key suppliers and significant debtors and end customers for the technical services rendered.

Potential sources of risk related to the electricity production sector derive from fluctuations in the energy markets within the broader macroeconomic context, from regulatory developments – in particular with regard to the award of hydroelectric concessions – and from the risks related to the business continuity of operations, with possible consequences in terms of non-production of the plants, as well as from the implementation of the development plans of the 2019-2022 Business Plan (growth in the photovoltaic sector through M&A and the construction of plants).

For the management of operational risks, Acea Produzione has taken steps from the beginning to implement a series of computer and physical security measures for the plants, together with a system for measuring and monitoring benchmarks each day and based on events, the results of which constitute input to the management process of the maintenance and revamping programmes for plants and machinery. The company also participates in the aforementioned Group Insurance Plan, stipulating policies with leading insurance companies to cover any damage.

Environment Segment

The waste treatment plants are highly complex from a technical point of view, requiring the companies to employ qualified personnel and adopt organisational structures with a high level of know-how. They and their activities are parametrised to specific characteristics of the waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a

legal nature. For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

The risk of waste produced not being delivered downstream in the value chain is particularly significant and has an impact on business continuity. Acea Ambiente uses tendering procedures to stimulate the opening of the market. Furthermore, the Segment Companies implement programmes, procedures and controls to ensure adequate HSE compliance monitoring by virtue of the very characteristics of the business managed (CO₂ emissions, exceeding exhaust emission limits, health and safety at work, non-compliance of incoming waste, etc.).

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that typically present risks related to the construction of complex industrial infrastructure (construction and performance defects).

The Orvieto plant recently completed an important redevelopment of the recovery processes for composting and is currently undergoing a project to expand it, while the Latina plants (recently built), Monterotondo Marittimo and Sabaudia are affected by important interventions of expansion and redevelopment.

With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the production of electricity under CIP 6/92 and the performance of services of public importance, could lead to significant negative effects.

This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity.

The waste-to-energy plants, as well as waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area.

These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management.

Moreover, the plants and the related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market Risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

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.

Commodity price risk

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia S.p.A., verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector 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. 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 Sector 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;

- ensure the necessary operational flexibility for trading activities not related to industrial needs.

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 for the next year, 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.

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 internal end customers inside and outside the Acea Group, Trading not linked to industrial needs) and commodities (e.g. Electricity, Gas, EUA) and nature of the operations (physical and financial);
- accurate analysis of the time profile of the purchases and sales containing the open positions, in other words exposure of the physical purchase and sale of single commodities, within set volume limits;
 - creation of scenarios of reference (prices, indices);
 - calculation of risk indicators/metrics (Volumetric exposure, VAR, PAR, price range);
 - verification of compliance with current risk limits.

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.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Acea 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 Acea 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.

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.

Information Technology risks

For years now Acea has followed a development path focused on the use of new technologies as a driving force for the operational efficiency, safety and resilience of its industrial assets. The main business processes are now all supported by the use of advanced information systems, implemented and managed by the Group's centralised departments to support the operations of the various companies. In this sense, the Group is therefore exposed to the risks of the adequacy of the IT infrastructure to the current or future needs of the various businesses, as well as to the risks of unauthorised access to the data processed using IT procedures, with or without intent, and in any case inappropriate or not in compliance with current regulations. Acea manages these risks with the utmost attention through specific corporate compliance structures coordinated by specialised Group safeguards.

As far as cyber security of systems, infrastructure, networks and other electronic devices is concerned within the scope of the services provided or the respective Group Companies, the current procedural and technological safeguards of the

Companies themselves are implementing all the necessary actions to align their cyber security posture with the main national and international industry standards in order to increase their resilience to risks of this nature, possible repercussions in terms of business interruption and regulatory non-compliance. Technological and organisational measures are being implemented with the aim of:

- managing the threats to the organisation's network infrastructure and information systems in order to ensure a level of security appropriate to the existing risk;
- Preventing accidents and minimising their impact on the security of the network and information systems used to provide services, so as to ensure their continuity.

Liquidity risk

The Group policy for managing liquidity risk, for both Acea and its subsidiaries, involves the adoption of a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet financial requirements, while maintaining an appropriate balance between maturity and composition of debt, also taking into account the challenging objectives set out in the Business Plan in terms of developing new M&A initiatives. The various factors of uncertainty faced by the Group include the potential economic, financial and reputational impact associated with the closing or failure to close the aforementioned transactions. The Acea Group has therefore adopted an articulated and structured assessment process for these risks, carried out in close coordination between the companies and the Parent Company's organisational controls of the individual types of risk.

The liquidity risk management process, which uses financial planning tools for outflows and receipts implemented at the level of the individual companies under the coordination of specific Group oversight, aimed at optimising the management of treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

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 Collection Strategy envisages that credit is managed taking into account both the type of customer (public and private) and the conduct of the individual customers (*behaviour score*).

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.

Already last year project work was launched on Credit Risk Profiling (three-year period 2019-2021), the macro objectives being the 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.

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 is also 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.

From the organisational point of view, in past years a further strengthening of the centralised management was achieved through the establishment of a new unit within the Parent Company, responsible for credit policies and the recovery of receivables from customers discontinued or with significant exposures. The structures of each single company responsible for managing credit reported functionally to the Acea Unit that guarantees end-to-end supervision of the entire process.

The mass management of ceased 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 customers that had ceased to exist for a significant amount of time.

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.

In particular, these regulations were applied to the so-called "red zones", establishing the temporary suspension of payments of utilities and the blocking of disconnections for arrears and, for the rest of the country, the blocking of disconnections for arrears, as well as some changes relating to the steps of the credit collection process.

This context has led to a slight decrease in receipts that Management is constantly monitoring, but, considering the effects that are still contained, without prejudice to the willingness to grant instalments to customers in difficulty, it was not considered necessary to put in place further initiatives aimed at limiting credit risk or strategies for collections.

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.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

Acea's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Stable	12/05/2020
Moody's	Baa2	Na	Stable	08/08/2019

Operating (and financial) outlook

The results achieved by the Acea Group at 30 June 2020 are better than the forecasts. Therefore, with respect to the guidance already communicated to the market, we expect:

- ✓ An increase in EBITDA of 8% over 2019 (previous guidance between +6% and +8%);
- ✓ Confirmation of investments substantially in line with 2019 and the 2019-2022 Business Plan;
- ✓ Confirmed financial debt at the end of 2020 between € 3.45 and € 3.55 billion.

The Group is determined to make major investments in infrastructure that, while maintaining the solidity of its consolidated financial structure, have a positive impact on the Group's operating and economic performance.

The Group's financial structure is solid for the years to come. At 30 June 2020, 82% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility. At 30 June 2020 the average duration of medium/long-term debt stood at 5.85 years. Note that the reduction of the average cost went from 2.15% of 31 December 2019 to 1.82% of 30 June 2020.

With regard to the COVID-19 state of emergency, the Acea Group immediately implemented all the necessary actions to ensure continuity in the services provided in the region, preserving quality and efficiency and at the same time ensuring the safety of its people through the adoption and implementation of the necessary prevention protocols. In addition, the high level of digitisation has allowed the implementation of an effective teleworking plan in all areas of the Group's activities.

The response of Acea personnel, the characteristics of the businesses managed by the Group and its financial strength have made it possible to cope with the crisis situation with timely and effective actions that are evident in the period's results.

Form and Structure

General information

The Half-Year Condensed Consolidated Financial Statements at 30 June 2020 of the Acea Group were approved by Board of Directors' resolution on 29 July 2020, 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 interim 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".

In preparing these interim financial statements, in compliance with IAS 34, applicable to interim financial reporting, the same accounting principles were applied as those for the preparation of the Consolidated Financial Statements at 31 December 2019, which see for a complete description, and must therefore be read together with the latter.

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 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 indicators which replace, as of 3 July 2016, CESR/05-178b recommendations. This orientation was acknowledged in our system in 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:

1. 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 the Operative Result to "Amortisation, depreciation, provisions and impairment", insofar as these are the main *non-cash items*;
2. the *net financial position* is an indicator of the Acea Group's financial structure, the sum of Non-current borrowings and Financial liabilities net of Non-current financial assets (loans and receivables and securities other than equity investments), Current borrowings and Other current financial liabilities net of current financial assets, cash and cash equivalents;
3. *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*;
4. *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 Condensed Consolidated Semi-Annual 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.

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 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 IFRS9, 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.

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 30 June 2020 it should be noted that:

- the line-by-line consolidation of the company Pescara Distribuzione Gas, which the Parent Company acquired a 51% stake in on 18 March;
- The establishment of Acea Innovation on 25 June 2019, operating in the field of Technological Innovation;
- The line-by-line consolidation of the companies Acea Solar and Acea Sun Capital established on 30 April 2019 (subsidiaries of Acea Produzione). The latter 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 months of July and August, Belenergia acquired 65% of the following companies: Acquaviva, Compagnia Solare 2, Compagnia Solare 3, SPES, Solaria Real Estate, Brindisi Solar; on 26 September 2019 the acquisitions of Sisine Energia and Luna Energia were completed; on 10 October 2019 the purchase of Marche Solar was completed, on 12 November 2019 the companies Urbe Solar and Urbe Cerig were acquired and finally in December the purchase of Trinovolt was completed. Acea Sun Capital continued its acquisition of photovoltaic systems in 2020, taking over 100% of Bersolar on 29 February, 100% of Euroline3 on 7 May, 100% of IFV Energy and PF Power of Future on 5 June and 49.9% of the acquired Energia company on 27 May 2020.
- 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 Ferrocarr and Cavallari, as well as the consolidation of Multigreen (100% owned by Cavallari) on 22 April 2020, the companies own a total of four plants with a total authorised capacity of over 145,000 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.

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

The accounting standards and the recognition and measurement criteria adopted in the presentation of the Half-Year Condensed Consolidated Financial Statements are those used in preparation of the Consolidated Financial Statements for the year 2020, to which reference should be made for a description of those most important, that specified hereafter holding firm.

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 17: 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 2020, 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.

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 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 2022.

"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

"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.

“Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions”

Issued on 30 April 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 arrangement is applicable to lessors and not to lessees.

The Acea Group is analysing the above amendments and principles that will enter into force on 1 January 2021 and assessing whether their adoption will have a significant impact on the financial statements.

Covid-19 information

In view of the fact that the characteristics of the businesses managed by the Acea Group, 86% of whose EBITDA is generated by regulated activities, and in light of the chronology of events, the regulatory areas governing the Acea Group's businesses have not changed significantly due to the aforementioned health emergency. In accordance with the provisions of Consob and Esma, the Group conducted in-depth analyses on the issues that are most sensitive and subject to variability related to the emergency situation, paying particular attention to the assessment of the recoverability of receivables, the verification of any impairment indicators on individual CGUs as at 30 June 2020 and the assessment of the value of assets through impairment tests.

With regard to the financial impact both in the short and medium term, there are no significant uncertainties for the Acea Group in dealing with the "coronavirus" emergency and the effects that this could reasonably cause, also because of the company's ability to continue to operate as a going concern thanks to the Group's solid financial structure as at 30 June 2020, cash and cash equivalents of approximately € 465 million plus credit lines granted and unused of approximately € 539 million and the possibility of issuing a further € 0.9 billion of corporate bonds under the EMTN programme. For further information, please refer to the relevant sections of these explanatory notes.

Consolidated Income Statement

Ref. Note		30/06/2020	Of which related party transactions	30/06/2019	Of which related party transactions	Change
1	Revenue from sales and services	1,565,484		1,499,919		65,565
2	Other revenue and proceeds	56,485		53,194		3,291
	Consolidated net revenues	1,621,969	60,931	1,553,113	63,787	68,857
3	Personnel costs	140,329		124,295		16,034
4	Costs of materials and overheads	929,361		945,756		(16,395)
	Consolidated Operating Costs	1,069,690	28,103	1,070,051	33,220	(361)
5	Net income/(costs) from commodity risk management	164		96		68
6	Income/(Costs) from equity investments of a non-financial nature	16,228		19,435		(3,207)
	EBITDA	568,672	32,827	502,594	30,568	66,078
7	Net write-downs (write-backs) of trade receivables	43,806		36,047		7,759
8	Depreciation, amortisation and provisions	247,419		206,324		41,095
	Operating profit/(loss)	277,446	32,827	260,223	30,568	17,224
9	Financial income	6,360	9,583	7,012	7,655	(653)
10	Financial costs	(49,405)	(68)	(49,757)	0	352
11	Income/(Costs) from equity investments	2,578		3,565		(987)
12	Profit/(loss) before tax	236,979	42,343	221,043	38,223	15,936
	Income taxes	72,324		66,379		5,945
	Net profit/(loss)	164,654	42,343	154,664	38,223	9,990
	Net profit/(loss) from discontinued operations					
	Net profit/(loss)	164,654	42,343	154,664	38,223	9,990
	Profit/(loss) attributable to minority interests	20,902		11,699		9,203
	Net profit/(loss) attributable to the Group	143,752		142,965		787
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	Basic	0.67500		0.67131		0.00370
	Diluted	0.67500		0.67131		0.00370
	Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
	Basic	0.67633		0.67262		0.00370
	Diluted	0.67633		0.67262		0.00370

Amounts in € thousand

Quarterly Consolidated Income Statement

€ thousand	Q2 2020	Q2 2019	Change	% Change
Revenue from sales and services	755,733	705,234	50,498	7.2%
Other revenue and proceeds	32,777	24,544	8,233	33.5%
Consolidated net revenues	788,510	729,778	58,731	8.0%
Personnel costs	67,597	60,204	7,393	12.3%
Costs of materials and overheads	437,818	426,625	11,192	2.6%
Consolidated Operating Costs	505,415	486,830	18,586	3.8%
Net income/(costs) from commodity risk management	82	70	12	16.5%
Income/(Costs) from equity investments of a non-financial nature	9,051	11,725	(2,674)	(22.8%)
EBITDA	292,227	254,744	37,483	14.7%
Net write-downs (write-backs) of trade receivables	23,913	17,486	6,426	36.8%
Depreciation, amortisation and provisions	127,709	109,811	17,898	16.3%
Operating profit/(loss)	140,606	127,446	13,159	10.3%
Financial income	2,327	3,271	(944)	(28.9%)
Financial costs	(22,931)	(25,985)	3,053	(11.8%)
Income/(Costs) from equity investments	2,617	648	1,969	303.7%
Profit/(loss) before tax	122,618	105,381	17,237	16.4%
Income taxes	38,015	32,200	5,815	18.1%
Net profit/(loss)	84,603	73,181	11,422	15.6%
Net profit/(loss) from discontinued operations	0	0	0	n.s.
Net profit/(loss)	84,603	73,181	11,422	15.6%
Profit/(loss) attributable to minority interests	11,477	5,734	5,743	100.1%
Net profit/(loss) attributable to the Group	73,126	67,447	5,679	8.4%

*(Quarterly data not covered by limited revision for the six-month period as a whole)

Comprehensive Consolidated Income Statement

€ thousand	30/06/2020	30/06/2019	Change
Net income for the period	164,654	154,664	9,990
Profit/Loss from conversion of financial statements expressed in foreign currency	(1,274)	57	(1,331)
Reserve for exchange differences	3,936	(4,108)	8,044
Tax reserve for exchange differences	(945)	986	(1,931)
Gains/losses from exchange rate difference	2,992	(3,122)	6,113
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	1,329	(1,632)	2,961
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(382)	679	(1,061)
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	947	(953)	1,900
Actuarial gains/(losses) on employee benefits recognised in equity	(2,138)	(4,212)	2,074
Tax effect on the other actuarial profit/(loss) on staff benefit plans	621	1,226	(605)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	(1,517)	(2,985)	1,469
Total components of other comprehensive income, net of tax effect	1,148	(7,003)	8,151
Total comprehensive income/loss	165,802	147,661	18,141
Total comprehensive income (loss) attributable to:			
Group	145,621	135,640	9,980
Minority interests	20,182	12,021	8,161

Quarterly Comprehensive Consolidated Income Statement

€ thousand	Q2 2020	Q2 2019	Change
Net income for the period	84,599	74,532	10,067
Profit/Loss from conversion of financial statements expressed in foreign currency	(1,918)	(704)	(1,214)
Reserve for exchange differences	8,269	(2,216)	10,485
Tax reserve for exchange differences	(1,985)	1,440	(3,425)
Gains/losses from exchange rate difference	6,285	(776)	7,061
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(1,205)	4,420	(5,625)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	205	(1,180)	1,384
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	(1,000)	3,241	(4,241)
Actuarial gains/(losses) on employee benefits recognised in equity	(3,713)	(2,911)	(802)
Tax effect on the other actuarial profit/(loss) on staff benefit plans	942	902	39
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	(2,771)	(2,009)	(763)
Total components of other comprehensive income, net of tax effect	595	(248)	843
Total comprehensive income/loss	85,194	74,285	10,910
Total comprehensive income (loss) attributable to:			
Group	74,139	68,817	5,322
Minority interests	11,056	5,468	5,588

*(Quarterly data not covered by limited revision for the six-month period as a whole)

Consolidated Statement of Financial Position

Ref. Note	ASSETS	30/06/2020	of which with related parties	31/12/2019	of which with related parties	Change
14	Tangible Fixed Assets	2,685,943		2,609,485		76,458
15	Real estate investments	2,402		2,431		(29)
16	Goodwill	217,606		182,902		34,704
17	Concessions	2,586,477		2,484,483		101,995
18	Intangible Fixed Assets	254,397		222,358		32,038
19	Right of use	69,626		63,397		6,228
20	Equity investments in unconsolidated subsidiaries and associates	294,022		268,039		25,982
21	Other equity investments	3,231		2,772		459
22	Deferred tax assets	241,355		237,693		3,662
23	Financial assets	43,509	24,409	47,202	26,144	(3,693)
24	Other assets	409,188		380,666		28,522
	NON-CURRENT ASSETS	6,807,756	24,409	6,501,429	26,144	306,327
25.a	Inventories	67,154		57,335		9,819
25.b	Trade receivables	1,145,657	124,134	1,035,462	99,798	110,194
25.c	Other current assets	227,886		212,956		14,930
25.d	Current tax assets	46,604		12,328		34,275
25.e	Current Financial Assets	421,987	144,550	299,212	121,968	122,776
25.f	Cash and cash equivalents	465,156		835,693		(370,537)
25	CURRENT ASSETS	2,374,444	268,684	2,452,987	221,766	(78,543)
	TOTAL ASSETS	9,182,200	293,093	8,954,416	247,910	227,784

Amounts in € thousand

Ref. Note	LIABILITIES	30/06/2020	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	(167,782)		(209,562)		41,781
	Retained earnings/(losses)	629,529		562,413		67,116
	Profit (loss) for the year	143,752		283,686		(139,934)
	Total Group shareholders' equity	1,834,159		1,854,772		(20,612)
	Minority interests	288,941		251,938		37,002
26	Total shareholders' equity	2,123,100		2,106,710		16,390
27	Employee severance indemnity and other defined-benefit plans	106,227		104,613		1,614
28	Provision for risks and charges	209,648		151,418		58,230
29	Borrowings and financial liabilities	4,122,593		3,551,889		570,704
30	Other liabilities	393,466		391,100		2,366
	NON-CURRENT LIABILITIES	4,831,933		4,199,020		632,913
31.a	Financial payables	318,833	155,797	674,364	79,616	(355,531)
31.b	Payables to suppliers	1,530,733	103,275	1,600,263	111,319	(69,530)
31.c	Tax Payables	16,003		11,977		4,026
31.d	Other current liabilities	361,598		362,082		(484)
31	CURRENT LIABILITIES	2,227,167	259,073	2,648,685	190,935	(421,518)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,182,200	259,073	8,954,416	190,935	227,784

Amounts in € thousand

Consolidated Cash Flow statement

Ref. Note	€ thousand	30.06.2020	Related parties	30.06.2019	Related parties	Change
	Cash flow from operating activities					
	Profit before tax	236,979		221,043		15,936
8	Depreciation/amortisation	239,949		200,061		39,888
6-7	Write-ups/write-downs	25,000		36,047		(11,047)
28	Change in provisions for risks	(5,888)		(10,645)		4,757
27	Net change in the provision for employee benefits	(2,930)		1,640		(4,570)
	Net financial interest	43,046		42,745		301
12	Income taxes paid	(45,380)		0		(45,380)
	Financial flows generated by operating activities before changes	490,776	0	490,891	0	(116)
25	Increase/Decrease in receivables included in current assets	(101,558)	10,329	(112,063)	31,111	10,505
31	Increase/Decrease in payables included in the working capital	(57,605)	(12,710)	(63,053)	(7,928)	5,448
25	Increase/Decrease in inventories	(3,565)		(4,287)		722
	Change in working capital	(162,729)	(2,380)	(179,403)	23,183	16,675
	Change in other assets/liabilities during the period	(106,368)		(39,741)		(66,627)
	TOTAL CASH FLOW FROM OPERATING ACTIVITIES	221,679	(2,380)	271,747	23,183	(50,068)
	Cash flow from investment activities					
	Purchase/sale of tangible fixed assets	(172,982)		(134,036)		(38,946)
	Purchase/sale of intangible fixed assets	(237,624)		(207,950)		(29,674)
20-21	Equity investments	(76,656)		(4,970)		(71,686)
	Collections/payments deriving from other financial investments	(115,452)	(1,188)	(130,773)	23,670	15,321
	Collected dividends	188	188	10,950	10,950	(10,763)
	Interest income collected	9,244		5,824		3,420
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(593,281)	(1,001)	(460,954)	34,621	(132,328)
	Cash flow from financing activities					
29	Repayment of mortgages and long-term loans	(455,020)		(281,655)		(173,365)
29	Provision of mortgages/other debts and medium to long term	599,910		500,000		99,910
29-31	Decrease/Increase in other financial debts	(28,701)	(15,207)	8,466	79,167	(37,167)
	Interest expense paid	(51,838)		(50,974)		(864)
	Dividends paid	(81,848)	(81,848)	(73,795)	(73,795)	(8,053)
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	(17,497)	(97,056)	102,042	5,372	(119,539)
-	Cash flow for the period	(389,099)	(98,056)	(87,165)	63,175	(301,934)
-	Net opening balance of cash and cash equivalents	835,693		1,068,138		(232,445)
-	Cash availability from acquisition	18,562		0		18,562
-	Net closing balance of cash and cash equivalents	465,156		980,973		(515,817)

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 01 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	142,965	142,965	11,699	154,664
Other comprehensive income (loss)	0	0	0	(7,324)	(7,324)	321	(7,003)
Total comprehensive income (loss)	0	0	0	135,640	135,640	12,021	147,661
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)	(3,108)	(154,017)
Change in scope of consolidation	0	0	(2,218)	0	(2,218)	3,303	1,085
Other changes	0	0	(2,648)	0	(2,648)	312	(2,335)
Balance as at 30 June 2019	1,098,899	119,336	355,628	135,640	1,709,504	186,380	1,895,884
Income statement profit	0	0	0	140,721	140,721	11,792	152,513
Other comprehensive income (loss)	0	0	0	(3,430)	(3,430)	22	(3,408)
Total comprehensive income (loss)	0	0	0	137,291	137,291	11,814	149,105
Allocation of result for 2018	0	0	0	0	0	0	0
Distribution of dividends	0	0	0	0	0	(4,882)	(4,882)
Change in scope of consolidation	0	0	5,954	0	5,954	59,433	65,388
Other changes	0	0	2,022	0	2,022	(807)	1,215
Balance as at 31 December 2019	1,098,899	119,336	363,605	272,932	1,854,772	251,938	2,106,710

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Minority interests	Total shareholders' equity
Balance as at 01 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	143,752	143,752	20,902	164,654
Other comprehensive income (loss)	0	0	0	1,869	1,869	(721)	1,148
Total comprehensive income (loss)	0	0	0	145,621	145,621	20,182	165,802
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)	(6,185)	(171,972)
Change in scope of consolidation	0	0	0	0	0	22,607	22,607
Other changes	0	0	(446)	0	(446)	399	(47)
Balance as at 30 June 2020	1,098,899	129,761	459,879	145,621	1,834,159	288,941	2,123,100

Notes to the Consolidated Income Statement

Consolidated net revenues

As at 30 June 2020 these amounted to € 1,621,969 thousand (€ 1,553,113 thousand at 30 June 2019), recording an increase of € 68,857 thousand compared to the same period of the previous year:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Revenue from sales and services	1,565,484	1,499,919	65,565	4.4%
Other revenue and proceeds	56,485	53,194	3,291	6.2%
Consolidated net revenues	1,621,969	1,553,113	68,857	4.4%

It should be noted that the data as of 30 June 2019 include a reclassification of € 253,000 for the purposes of a better presentation of the energy margin.

I. Revenue from sales and services – € 1,565,484 thousand

The item recorded an overall increase of € 65,565 thousand (+ 4.4%) compared to the same period of the previous year, which closed with the amount of € 1,499,919 thousand. The composition of the item is shown below:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Revenue from electricity sales and services	804,664	861,767	(57,103)	(6.6%)
Revenue from gas sales	54,775	48,834	5,941	12.2%
Revenue from electricity incentives	14,050	14,108	(59)	(0.4%)
Revenues from the Integrated Water System	536,855	449,206	87,649	19.5%
Revenue from Overseas Water Services	33,792	22,310	11,482	51.5%
Revenue from biomass transfer and landfill operations	56,163	40,526	15,637	38.6%
Revenue from customer services	51,406	49,099	2,308	4.7%
Connection fees	13,778	14,070	(291)	(2.1%)
Revenue from sales and services	1,565,484	1,499,919	65,565	4.4%

Revenue from electricity sales and services

This item amounted to € 804,664 thousand and, net of intercompany eliminations, includes the following items:

€ thousand	30/06/2020	30/06/2019	Change	Change %
Electricity and heat generation	5,035	5,821	(785)	(13.5%)
Electricity sales	612,440	670,163	(57,723)	(8.6%)
Transport and metering of energy	182,809	161,027	21,782	13.5%
Energy sales from WtE	1,340	21,839	(20,499)	(93.9%)
Energy from photovoltaic plants	1,001	326	674	n.s.
Co-generation	2,039	2,591	(552)	(21.3%)
Revenue from sales and services	804,664	861,767	(57,103)	(6.6%)

The main changes concern:

- The decrease in revenues from the sale of electricity of € 57,723 thousand as a result of: i) the revision of the value recognised in the standard market for the mechanism for compensating for arrears (ARERA Resolution no. 100/2020) and for the remainder to smaller customers served and the updating of the tariff components for the remuneration of sales established by ARERA Resolution no. 576 of 2019; ii) offset only partially in the free market by the increase in the number of customers and the better margins in the retail segment (mainly domestic), despite the negative impact of the COVID-19 health emergency in March-June which resulted in a significant reduction in the consumption of Business customers (micro, large and top);
- The decrease in revenues from the sale of energy from WtE of € 20,499 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 better tariffs;
- The increase in revenues from transport and the metering of energy destined for the standard and free markets derives from the increase in tariff parameters partly offset by the lower energy distributed (-10.5%).

Revenue from gas sales

Revenues equal € 54,775 thousand and show an increase of € 5,941 thousand compared to 30 June 2019 due to both the price effect and the quantity-sold effect, to final customers and wholesalers by Acea Energia (+ 7.2 million m³ of gas compared to HI 2019).

Revenue from electricity incentives

These revenues amount to € 14,050 thousand and show a decrease of € 59 thousand compared to the same period of the previous year. The item includes the recognition of revenues from green certificates: This item includes the recognition of revenue from green certificates: i) those of Acea Energia (€ 11,897 thousand) in relation to the energy produced by the Salisano and Orte Station, ii) those of Acea Ambiente (€ 2,144 thousand) from revenue for 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 System

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 € 536,855 thousand and shows an increase of € 87,649 thousand (+ 19.5%) compared to the previous year (€ 449,206 thousand).

Details of the breakdown by company are given below.

€ thousand	30/06/2020	30/06/2019	Change	% Change
Acea Ato 2	333,703	312,297	21,406	6.9%
Acea Ato 5	39,416	36,719	2,697	7.3%
ACEA MOLISE	2,415	1,861	554	29.8%
GESESA	6,575	6,663	(88)	(1.3%)
Gori	99,473	91,666	7,807	8.5%
AdF	55,272	0	55,272	n.s.
Revenues from the Integrated Water System	536,855	449,206	87,649	19.5%

The change in the scope of consolidation affected the increase for a total of € 55,272 thousand with reference to AdF, fully consolidated from October 2019.

The remaining change is mainly 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, and represents the best estimate on the basis of the elements available to date as also described in the paragraph "Performance by operating segment - Water". It should be noted that among the main changes introduced by the new MTI-3, the contractual quality bonus that amounted to € 16,834 thousand in HI 2019 is expected to be zero for Acea Ato 2.

Revenue from international water services

These revenues are equal to € 33,792 thousand and show an increase of € 11,482 thousand compared to the same period of the previous year (€ 22,310 thousand as at 30 June 2019). The change derives from the full consolidation of Consorzio Agua Azul from 13 January 2020 for € 6,780,000 and for the remaining part from the improved performance of Acea Peru for € 5,637,000 after the start of operations.

Revenue from biomass transfer and landfill operations

These revenues amounted to € 56,163 thousand, up € 15,637 thousand compared to the same period of the previous year (€ 40,526 thousand). The breakdown by company is provided below:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Acea Ambiente	35,509	27,298	8,211	30.1%
Ferrocarril	1,243	0	1,243	n.s.
Cavallari	2,032	0	2,032	n.s.
Aquaser	7,678	9,284	(1,606)	(17.3%)
Multigreen	792	0	792	n.s.
Iseco	122	116	6	4.7%
Acque Industriali	4,507	2,020	2,487	123.1%
Bioecologia	1,469	1,807	(338)	(18.7%)
Berg	2,811	0	2,811	n.s.
Revenue from biomass transfer and landfill operations	56,163	40,526	15,637	38.6%

The performance of HI 2020 was influenced by the change in the scope of consolidation for € 6,878 thousand, and for the remaining part by the following main events:

- ✓ Acea Ambiente + € 8,211 thousand as a result of 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. It should be noted that in 2019 the Monterotondo plant underwent revamping, in 2020 the Sabaudia plant was revamped and its contributions are therefore suspended;
- ✓ Aquaser - € 1,721,000 due to the combined effect of the increase in the applied tariff and the lower quantities;
- ✓ Acque Industriali + € 2,485,000 linked to the increase in sludge disposal due to the greater number of tonnes managed compensated by the 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 € 51,406 thousand (€ 49,099 thousand at 30 June 2019) and increased by € 2,308 thousand.

The changes can be represented as follows:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Public Lighting - Rome	21,259	21,405	(146)	(0.7%)
Work for third parties	23,734	19,615	4,119	21.0%
Inter-company services	2,678	3,052	(374)	(12.3%)
Photovoltaic	102	99	4	3.8%
GIP revenue	3,066	3,148	(82)	(2.6%)
Change in inventories	569	1,780	(1,211)	(68.0%)
Revenue from customer services	51,406	49,099	2,308	4.7%

The main change is due to the item Work for third parties and is due to a number of items with an opposing sign:

- Higher revenues from the change in the scope of consolidation for € 8,664 thousand (Demap contributed € 4,573 thousand);
- Higher revenues recorded by the company Umbriadue for €1,983 deriving from extraordinary maintenance thanks to the continuity of work on construction sites and higher revenues for new work on networks and plants;
- Lower revenues of areti for € 3,506 thousand, Acea Ato 2 for € 1,818 thousand and Gori for € 1,522 thousand.

Connection fees

These amounted to € 13,778 thousand, a decrease of € 291 thousand compared to 30 June 2019, mainly due to increases recorded by the consolidation of AdF (+ € 413 thousand), due to the increase in areti (+ € 336 thousand) partially offset by the decrease in Acea Energia (- € 914 thousand).

2. Other proceeds – € 56,485 thousand

This item increased by € 3,291 thousand (6.2%) compared to 30 June 2019, which closed with a total of € 53,194 thousand.

The following table supplies the breakdown of said entry:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Contributions from Entities for Energy Efficiency Certificates	10,011	9,598	413	4.3%
Non-recurring gains	11,129	17,529	(6,400)	(36.5%)
Other revenues	7,536	7,117	419	5.9%
Refunds for damages, penalties, collateral	2,385	2,545	(160)	(6.3%)
Feed-in tariff	8,675	2,360	6,316	n.s.
Government grant (Prime Ministerial Decree of 23/04/04)	2,222	2,152	70	3.2%
Regional grants	4,173	3,363	810	24.1%
Seconded personnel	218	485	(267)	(55.0%)
Real estate income	809	852	(43)	(5.0%)
IFRIC 12 margin	8,885	6,783	2,102	31.0%
Gains on asset disposals	60	7	53	n.s.
Recharged cost for company officers	381	379	2	0.5%
Premiums for continuity of service	0	23	(23)	(100.0%)
Other revenue and proceeds	56,485	53,194	3,291	6.2%

The variation was primarily determined by the following offsetting effects:

- (i) Higher revenues recognised by the GSE to photovoltaic companies deriving from acquisitions in H2 2019 and H1 2020;
- (ii) Increase in the IFRIC 12 margin of € 2,102 thousand following the higher investments compared to H1 2019;
- (iii) Decrease in contingent assets of € 6,400 thousand originating mainly in the Acea Energia companies (- € 3,268 thousand) for extraordinary pass-through items as well as the assessment of energy items from previous years and areti (- € 2,712 thousand).

Consolidated operating costs

As at 30 June 2020 these amounted to € 1,069,690 thousand (€ 1,070,051 thousand 30 at June 2019), recording a decrease of € 361 thousand compared to the same period of the previous year.

The breakdown is as follows:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Personnel costs	140,329	124,295	16,034	12.9%
Costs of materials and overheads	929,361	945,756	(16,395)	(1.7%)
Consolidated operating costs	1,069,690	1,070,051	(361)	n.s.

3. Personnel costs – € 140,329 thousand

€ thousand	30/06/2020	30/06/2019	Change	% Change
Staff costs including capitalised costs	220,641	199,178	21,463	10.8%
Costs capitalised	(80,313)	(74,884)	(5,429)	7.2%
Personnel costs	140,329	124,295	16,034	12.9%

The increase in labour costs gross of capitalised costs amounted to € 21,463 thousand and was mainly influenced by higher personnel costs recorded in the Water Segment (+€ 14,655 thousand, of which € 10,292 thousand related to the recent AdF consolidation). There were also increases in the Environment Segment (+ € 3,779 thousand) and in the Overseas Segment (+ € 2,035 thousand), which were also mainly related to the change in scope.

With regard to capitalised costs, there was an increase of € 5,429 thousand primarily attributable to the Water Segment. The increase stems both from the aforementioned recent consolidation of AdF for € 1,684,000 and from the efficiency of corporate 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 the same period of the previous year.

	Average number of employees			
	30/06/2020	30/06/2019	Change	% Change
Environment	567	374	193	51.7%
Commercial and Trading	468	471	-4	(0.7%)
Overseas	1,218	795	423	53.2%
Water	3,209	2,672	536	20.1%
Energy Infrastructure	1,352	1,360	-9	(0.7%)
Engineering and Services	403	272	131	48.3%
Parent Company	694	667	27	4.0%
Total	7,909	6,611	1,298	19.6%

	End-of-period composition			
	30/06/2020	30/06/2019	Change	% Change
Environment	567	376	191	50.8%
Commercial and Trading	468	474	-6	(1.3%)
Overseas	861	770	91	11.8%
Water, Gas	3,233	2,703	530	19.6%
Energy Infrastructure	1,336	1,345	-9	(0.7%)
Engineering and Services	404	281	123	43.8%
Parent Company	703	666	37	5.6%
Total	7,572	6,615	957	14.5%

4. Costs of materials and overheads – € 929,361 thousand

This item reported an overall decrease of € 16,395 thousand (1.7%) compared to 30 June 2019, which closed with a total of € 945,756 thousand.

€ thousand	30/06/2020	30/06/2019	Change	% Change
Electricity, gas and fuel	641,812	678,816	(37,004)	(5.5%)
Materials	35,954	28,418	7,536	26.5%
Services	181,831	173,109	8,722	5.0%
Concession fees	31,859	28,283	3,575	12.6%
Cost of leased assets	12,401	10,813	1,588	14.7%
Other operating costs	25,504	26,317	(813)	(3.1%)
Costs of materials and overheads	929,361	945,756	(16,395)	(1.7%)

It should be noted that in the data presented as at 30 June 2019, a reclassification was made between the items “Electricity, gas and fuel” and “Services” for the purposes of a better presentation of the energy margin.

Electricity, gas and fuel costs

This item includes:

	30/06/2020	30/06/2019	Change	% Change
Electricity and gas purchases and transportation	630,151	666,587	(36,436)	(5.5%)
White certificates	9,046	9,625	(579)	(6.0%)
Green certificates and Co2 rights	2,615	2,604	11	0.4%
Electricity, gas and fuel costs	641,812	678,816	(37,004)	(5.5%)

The costs of purchasing and transporting energy decreased by € 36,436 thousand, mainly due to the effect of less electricity being distributed (- 10.5%), in line with the revenue.

Materials

The cost of materials amounted to € 35,954 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	30/06/2020	30/06/2019	Change	% Change
Purchase of materials	69,408	53,002	16,406	31.0%
Change in inventories	(3,793)	(3,372)	(421)	12.5%
Change in inventories	65,615	49,631	15,985	32.2%
Costs capitalised	(29,661)	(21,212)	(8,449)	39.8%
Materials	35,954	28,418	7,536	26.5%

The purchases of materials net of inventories recorded a € 15,985 thousand increase, mainly attributable to the Water Segment, in particular to Gori for € 3,884 and to the consolidation of AdF for € 2,355 thousand, and finally to areti for €2,731 thousand.

Services and contract work

This item amounted to € 181,831 thousand, an overall increase of € 8,722 thousand compared to € 173,109 thousand at 30 June 2019. For an analysis of the breakdown, please see the following table:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Technical and Administrative Services (including consulting and collaborations)	29,998	26,050	3,947	15.2%
Contract work	36,572	32,223	4,348	13.5%
Disposal and transport of sludge, slag, ash and waste	33,697	28,750	4,947	17.2%
Other services	23,849	32,803	(8,954)	(27.3%)
Personnel services	8,575	7,224	1,350	18.7%
Insurance costs	5,627	4,827	800	16.6%
Electricity, water and gas consumption	11,682	13,312	(1,630)	(12.2%)
Internal use of electricity	3,404	3,404	0	n.s.
Intragroup services and otherwise	4,369	1,207	3,161	n.s.
Telephone and data transmission costs	2,974	3,100	(126)	(4.1%)
Postal expenses	1,547	1,846	(299)	(16.2%)
Maintenance fees	8,455	5,734	2,721	47.5%
Cleaning, transport and portage costs	2,787	2,185	603	27.6%
Advertising and sponsorship costs	3,077	4,603	(1,526)	(33.2%)
Corporate bodies	1,675	1,256	418	33.3%
Meter readings	1,563	2,045	(482)	(23.6%)
Bank charges	1,367	1,397	(30)	(2.2%)
Travel and accommodation expenses	433	910	(477)	(52.4%)
Seconded personnel	18	139	(122)	(87.4%)
Printing expenses	164	93	70	75.4%
Costs for services	181,831	173,109	8,722	5.0%

The changes are due to a number of items with an opposing sign:

- The change in the scope of consolidation for € 17,600 thousand (of which AdF € 11,420 thousand);

- The increase in costs incurred for disposal and transport of sludge + € 2,481 thousand (with the same scope), referring in particular to Acque Industriali and Gori;
- The lower costs for other services related to Gori for € 10,089 thousand.

Concession fees

Concession fees totalled € 31,858 thousand (+ € 3,575 thousand compared to 30 June 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 HI 2019.

€ thousand	30/06/2020	30/06/2019	Change	% Change
Acea Ato 2	24,773	24,143	629	2.6%
Acea Ato 5	1,767	1,812	(45)	(2.5%)
Gori	1,204	1,206	(2)	(0.2%)
Pescara Distribuzione Gas	1,348	830	518	62.4%
Gesesa	191	192	(1)	(0.8%)
AdF	2,416	0	2,416	n.s.
Other	159	99	59	60.0%
Concession fees	31,859	28,283	3,575	12.6%

The increase refers mainly to the change in the scope of consolidation for € 2,416 thousand.

For other information regarding the concessions, reference should be made to the information in the specific section entitled "Service concession arrangements".

Cost of leased assets

This item amounted to € 12,401 thousand, up € 1,588 thousand compared to last year (€ 10,813 thousand at 30 June 2019), € 895 thousand of which was due to changes in scope. 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 € 25,504 thousand at 30 June 2020 and decreased by € 813 thousand. The table below provides details of this item by type:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Taxes and duties	6,546	7,918	(1,372)	(17.3%)
Damages and outlays for legal disputes	5,805	4,366	1,438	32.9%
Contributions paid and membership fees	1,905	2,610	(705)	(27.0%)
General expenses	5,417	5,515	(98)	(1.8%)
Contingent liabilities	5,832	5,909	(77)	(1.3%)
Other operating costs	25,504	26,317	(813)	(3.1%)

5. Net revenue/(costs) from management of commodity risks - € 164 thousand

At 30 June 2020 these amount to € 164 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 - € 16,228 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	30/06/2020	30/06/2019	Change	% Change
EBITDA	62,694	75,089	(12,395)	(16.5%)
Amortisation, depreciation, impairment charges and provisions	(37,805)	(41,842)	4,036	(9.6%)
Total profit/(loss) on equity investments	(2)	(1)	(1)	76.9%
Financial items	(1,787)	(6,577)	4,790	(72.8%)
Taxes	(6,872)	(7,234)	362	(5.0%)
Income from equity investments of a non-financial nature	16,228	19,435	(3,207)	(16.5%)

The EBITDA of these companies decreased by € 3,207 thousand, mainly due to changes in the scope of consolidation, in relation to the full consolidation of AdF and Consorzio Agua Azul, which in HI 2019 amounted to € 2,621 thousand and € 578 thousand respectively.

The companies' assessments are detailed below:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Publiacqua	6,565	9,123	(2,558)	(28.0%)
Acque Group	6,096	3,645	2,451	67.2%
Acquedotto del Fiora	0	2,622	(2,622)	(100.0%)
Umbra Acque	1,077	1,492	(415)	(27.8%)
Nuove Acque and Intesa Aretina	672	441	231	52.4%
GEAL	325	600	(275)	(45.8%)
Ingegnerie Toscane	1,130	937	193	20.6%
Ecomed in liquidation	0	(2)	2	(94.3%)
Integrated Water Services	315	0	315	n.s.
AZUL	0	578	(578)	(100.0%)
Energy	50	0	50	n.s.
Total	16,228	19,435	(3,207)	(16.5%)

7. Net write-downs (write-backs) of trade receivables – € 43,806 thousand

This item increased by € 7,759 thousand compared to the same period of the previous year, attributable to the higher write-downs made by the Parent Company and Gori for € 3,288 thousand and for € 3,918 thousand, respectively. The change in the scope, on the other hand, contributed to the increase by € 918 thousand and refers entirely to AdF.

8. Depreciation, amortisation and provisions – € 247,419 thousand

Compared to HI 2019, there was an increase of € 41,095 thousand. The details are as follows:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Amortisation and depreciation	239,949	200,061	39,888	19.9%
Provision for risks and charges	7,470	6,263	1,207	19.3%
Total	247,419	206,324	41,095	19.9%

Amortisation and depreciation

The € 39,888 thousand increase in depreciation and amortisation breaks down as follows:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Depreciation	81,014	66,219	14,795	22.3%
Amortisation	156,797	133,840	22,957	17.2%
Impairment charges	2,139	3	2,136	n.s.
Depreciation/amortisation	239,949	200,061	39,888	19.9%

The increase is due to the change in the scope of consolidation of € 18,530 thousand, of which AdF € 13,040 thousand. Also of note is the increase in amortisation and depreciation of areti for € 9,732 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 30 June 2020 amounted to € 6,074 thousand.

The losses in value refer to the write-down of the assets of Acea Ato 2 for € 2,139 thousand.

Provisions

As of 30 June 2020, net sums released due to surplus, appropriation reserves total € 7,470 thousand and are divided thusly by type:

€ thousand	30/06/2020	30/06/2019	Change	% Change
Legal	1,321	1,431	(110)	(7.7%)
Taxes	120	64	57	89.0%
Regulatory risks	930	887	43	4.8%
Contributory risks	9	12	(3)	(27.5%)
Procurement and supplies	1,007	575	432	75.1%
Insurance excess	1,082	1,346	(263)	(19.6%)
Other risks and charges	2,205	500	1,705	n.s.
Total Provision for Risks	6,674	4,814	1,860	38.6%
Early retirements and redundancies	20	419	(399)	(95.2%)
Post mortem	6	0	6	n.s.
Charges towards Others	1,756	1,670	86	5.2%
Total Provisions	8,456	6,903	1,553	22.5%
Release of Provisions	(986)	(641)	(345)	53.9%
Total	7,470	6,263	1,207	19.3%

The most significant provisions made in the half-year are provisions for:

- ✓ Legal risks (€ 1,321 thousand) mainly allocated by the Parent Company (€ 998 thousand);
- ✓ Other risks for € 2,205 thousand (+ € 1,705 thousand) due to the provision set aside by areti for € 1,162 thousand related to charges for New Road Cable Regulations and € 578 thousand related to AdF;
- ✓ Charges to others (€ 1,756 thousand) which include the provision made to cover the differential between costs and revenues linked to areti's obligations for 2020 for € 542 thousand and provisions made by Acea Energia 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 State and supplementary and performance bonuses to be paid to agents.

Further information is provided in note 28 and in the section "Update on major disputes and litigation".

9. Financial income - € 6,360 thousand

€ thousand	30/06/2020	30/06/2019	Change	% Change
Interest on financial receivables	3,681	2,231	1,450	65.0%
Bank interest income	60	9	51	n.s.
Interest on trade receivables	2,629	3,809	(1,180)	(31.0%)
Interest on other receivables	427	446	(19)	(4.3%)
Financial income from discounting to present value	208	269	(60)	(22.4%)
Financial income from measurement of fair value hedges	(809)	0	(809)	n.s.
Other income	163	249	(86)	(34.4%)
Financial income	6,360	7,012	(653)	(9.3%)

Financial income amounted to € 6,360 thousand, a decrease of € 653 thousand compared to the same period of the previous year. The main change derives from the non-recognition of interest to customers, mainly referring to Acea Ato 2 (- € 891 thousand) and Gori (- € 474 thousand).

10. Financial costs - € 49,405 thousand

€ thousand	30/06/2020	30/06/2019	Change	% Change
Costs (Income) on Interest Rate Swaps	3,108	2,679	429	16.0%
Interest on bonds	29,551	30,110	(558)	(1.9%)
Interest on medium/long-term borrowings	7,991	7,290	700	9.6%
Interest on short-term borrowings	869	628	242	38.5%
Default interest and interest on deferred payments	731	677	54	7.9%
Interest cost net of actuarial gains and losses	494	789	(296)	(37.4%)
Factoring fees	2,074	1,970	105	5.3%
Interest on payments by instalment	0	447	(447)	(100.0%)
Discounting charges	2,000	2,263	(263)	n.s.
IFRS 16 financial charges	1,125	1,077	48	4.5%
Other financial charges	1,614	1,321	293	22.2%
Interest payable to end users	510	568	(57)	(10.1%)
Foreign exchange gains (losses)	(663)	(62)	(601)	n.s.
Financial costs	49,405	49,757	(352)	(0.7%)

Financial costs amounted to € 49,405 thousand, down € 352 thousand compared to 30 June 2019. The average overall all-in cost of the Acea Group's debt at 30 June 2020 stood at 1.82% against 2.15% of H1 2019.

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

- Compared to 30 June 2019, interest on bonds decreased by € 558 thousand following the replacement of a bond with others with more advantageous contractual terms;
- Interest on medium/long-term indebtedness increased by € 700 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 € 601 thousand compared to 30 June 2019. Consorcio Agua Azul's consolidation contributed € 470 thousand.

11. Income and costs from Equity Investments – € 2,578 thousand

€ thousand	30/06/2020	30/06/2019	Change	% Change
Income from equity investments in associates	2,652	3,573	(920)	(25.8%)
(Costs) of shares in related companies	(74)	(7)	(67)	n.s.
(Costs) and revenue from shares	2,578	3,565	(987)	(27.7%)

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies primarily Agua Azul Bogotá (- € 74 thousand). It should also be noted that following the acquisitions in 2019, part of the Business Combinations were closed, which led to the recording of income (*bargain*) amounting to € 2,652 thousand according to the acquisition method.

12. Income Tax - € 72,324 thousand

Estimated tax expenses for the period were € 72,324 thousand, compared to € 66,379 thousand in the same period of the previous year. Income taxes are composed as follows:

- ✓ Current taxes: € 73,616 thousand (€ 68,135 thousand at 30 June 2019),
- ✓ Net deferred/(prepaid) taxes: - € 1,291 thousand (- € 1,755 thousand at 30 June 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	236,979		221,043	
Expected tax charge at 24% on profit before tax	56,875	24.0%	53,050	24.0%
Net deferred taxation	(1,291)	(0.5%)	(1,755)	(0.8%)
Permanent differences	152	0.1%	(389)	(0.2%)
IRES for the period	55,736	23.5%	50,906	23.0%
IRAP (regional income tax)	16,589	7.0%	15,473	7.0%
Total taxes	72,324	30.5%	66,379	30.0%

The tax rate from the financial year is reported as 30.5% (it was 30.0% at 30 June 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 as at 30 June 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 30 June 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	30/06/2020	30/06/2019	Change
Net profit attributable to the Group (€/000)	143,752	142,965	787
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	143,752	142,965	787
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- basic (C)	212,547,907	212,547,907	0
Earnings per share (€)			
basic (A/B)	0.6763	0.6726	0.0037
diluted (A/C)	0.6763	0.6726	0.0037

Notes to the Consolidated Statement of Financial Position

Assets

At 30 June 2020 these amounted to € 9,182,200 thousand (€ 8,954,416 thousand at 31 December 2019), recording an increase of € 227,784 thousand or 2.5% from the previous year; they are broken down as follows.

€ thousand	30/06/2020	31/12/2019	Change	% Change
Non-current fixed assets	6,807,756	6,501,429	306,327	4.7%
Current assets	2,374,444	2,452,987	(78,543)	(3.2%)
Total Assets	9,182,200	8,954,416	227,784	2.5%

14. Tangible fixed assets - € 2,685,943 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 81% of the tangible fixed assets, € 2,189,958 thousand.

The remaining 19% refer to:

- Facilities belonging to the Environment Segment companies for € 253,577 thousand;
- Infrastructure related to the Parent Company for € 99,520 thousand;
- Infrastructure related to the Water Segment for € 52,250 thousand;
- Infrastructure related to the Overseas Segment for € 34,668 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							
Investments/Acquisitions	5,679	75,392	34,465	14,202	17,761	193	147,692
Disinvestments	(4)	(395)	(542)	(16)	(36)		(993)
Change in scope of consolidation	1,823	23,999	1,680	2,068	2,235		31,805
Other changes	(459)	20,596	(824)	644	(16,100)	96	3,951
Historical cost 30.06.2020	555,544	3,429,290	953,025	179,133	69,957	8,435	5,195,385
Accumulated depreciation at 31.12.2019	(152,544)	(1,801,744)	(315,062)	(129,172)		(4,921)	(2,403,444)
Assets Destined for Sale							-
Depreciation/amortisation and impairment charges	(6,467)	(45,925)	(21,701)	(6,589)		(302)	(80,984)
Disinvestments		68	168	16			252
Change in scope of consolidation	(343)	(10,698)	(1,027)	(1,544)			(13,612)
Other changes	(93)	(8,781)	(2,954)	174		-	(11,654)
Accumulated depreciation at 30.06.2020	(159,448)	(1,867,079)	(340,576)	(137,115)		(5,224)	(2,509,442)
Net value 30.06.2020	396,096	1,562,211	612,450	42,017	69,957	3,212	2,685,943

Investments increased compared to the same period of the last year (€ 134,036 thousand at 30 June 2019) and amounted to € 147,692 thousand. They refer mainly to those made by:

- ✓ **areti** for € 112,026 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 € 7,757 thousand for investments relating to plant improvements as well as works carried out at the plants in Aprilia, San Vittore and Sabaudia and works at the landfill in Orvieto;
- ✓ **Acea Produzione** for € 3,371,000 mainly for the works of the Orte, Sant'Angelo and Salisano hydroelectric plants and the Tor di Valle and Montemartini thermoelectric plants. The investments made by Acea Solar refer to the preparatory activities for the construction of plants;
- ✓ **Acea** for € 1,702 thousand for extraordinary maintenance works on the premises used for company activities and for hardware-related investments.

The item Depreciation/amortisation and impairment charges includes € 2,137 thousand in Acea Ato 2.

The change in the scope of consolidation increased tangible fixed assets by € 18,193 thousand and mainly refers to the acquisitions of the period in the Engineering and Services segment (€ 8,342 thousand) and the Environment segment (€ 8,103 thousand).

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets.

15. Real estate investments - € 2,402 thousand

Investment property primarily includes land and buildings not used in operations and held for rental. The decrease of € 29 thousand compared to last year derives from the amortisations and depreciations.

16. Goodwill - € 217,606 thousand

At 30 June 2020 goodwill amounted to € 217,606 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), some of which are provisionally registered pending the completion of the process of allocating the price paid. Goodwill recognised as a result of business combinations is attributed to CGUs that benefit from the synergies deriving from the acquisition. 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	30/06/2020
Network Management	792	0	0	(174)	618
Sale of Electricity and Gas	46,982	0	0	0	46,982
Intercompany Services	93	0	0	1	94
Renewable energy plants	101,774	2,908	0	(541)	104,141
Waste-to-energy and Composting plants	11,138	0	0	0	11,138
Liquid Waste Treatment and Sludge Disposal	6,033	613	0	(203)	6,443
Overseas	0	6,679	0	0	6,679
Plastic and paper recycling services	16,091	10,247	0	0	26,338
Engineering services	0	13,792	0	0	13,792
Smart Services	0	1,382	0	0	1,382
Goodwill	182,901	35,620	0	(919)	217,606

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 parameters used to estimate the discount rates are determined on the basis of baskets of comparable European companies and, for regulated activities, also referring to the parameters defined by ARERA to estimate WACC. Therefore, the application of the financial method for the determination of the recoverable value and the subsequent comparison with the respective carrying amounts provides an estimate of the following elements for each CGU: the value of the discount rates (WACC post-tax); the value of the operating flows; the value of the Terminal Value (TV) and, in particular, the growth rate (g) used for the projection of the flows beyond the Plan horizon.

The recoverable amount of the CGU is calculated as the sum of current value of Plan's cash flows and current Terminal Value. As regards the determination of the WACC, it is specified that for regulated businesses (Water and Electricity Distribution) the WACC used is determined by the regulator while for the Environment, Commercial and Trading segment business and for Production plants the WACC is calculated using the CAPM method.

For the purposes of determining the value of operating flows, the forecasts contained in the latest Business Plan approved by the Acea BoD are taken into account, if necessary updated by management to take account of regulatory and/or management changes that have occurred in the meantime. Specifically:

- 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 inertial evolution of the Group's costs over the course of the plan was developed by formulating hypotheses based on the set of information available at the time the plan was drawn up.

After the last year of the plan, normalised free cash flow equal to the value of the net operating margin of the plan years was considered.

It should be noted that for HI 2020, as required by the Group procedure, for the CGUs that coincide with the investments, the existence of any impairment indicator was verified, including with respect to the effects of COVID-19, while for the production, environment and generation plants the impairment test was revised. The analyses carried out revealed neither impairment indicators with reference to the CGUs nor write-downs to be carried out with regard to the plants.

17. Concessions and rights on infrastructure - € 2,586,477 thousand

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

- The values of concessions received from the municipalities (€ 171,332 thousand);
- The overall amount of all tangible infrastructures for the management of water services (€ 2,415,144 thousand), in accordance with IFRIC 12.

Concessions refer for € 117,594 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 € 8,199 thousand and the concession of Gori for € 12,368 thousand.

Capital expenditure for the period relating to **Infrastructure rights** amounted to € 204,246 thousand and mainly refers to:

- ✓ Acea Ato 2 for € 191,891 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 € 17,054 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- ✓ Gori for € 25,296 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 other changes for the period mainly refer to reclassifications for the commissioning of the assets.

18. Intangible fix assets - € 254,397 thousand

The item has a net book value as at 30 June 2020 of € 254,397 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Fixed assets under construction	Total Intangible fixed assets
Net value at 31.12.2019	150,843	41,756	29,759	222,358
Depreciation/amortisation and impairment charges	(35,080)	(8,167)	2	(43,245)
Investments/Acquisitions	33,626	15,004	10,042	58,672
Disinvestments	(86)	(124)	(3)	(212)
Change in scope of consolidation	111	18,595	1,000	19,707
Other changes	5,811	(3,649)	(5,045)	(2,883)
Net value at 30.06.2019	155,227	63,415	35,756	254,397

The increase over the previous year, amounting to € 32,039 thousand, arises from capital expenditure incurred during the period (€ 58,672 thousand), net of amortisation and reductions in value (€ 43,245 thousand) and from the change in the scope of consolidation (€ 19,707 thousand).

Investments for the period are mainly attributable to:

- areti for € 19,712 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 € 17,200 thousand mainly for the cost of acquiring new customers in accordance with IFRS 15, IT implementation projects and cloud licences on which the new Customer Relationship Management is being developed;
- The Parent Company for € 7,728 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 – € 69,626 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 30 June 2019 the net book value of these assets is € 69,626 thousand and the nature of these assets can be represented as follows:

€ thousand	30/06/2020	31/12/2019	Change
Land and buildings	55,705	48,655	7,050
Cars and motor vehicles	2,753	5,005	(2,252)
Machinery and equipment	8,918	7,345	1,573
Distribution cabins	2,078	2,176	(98)
Other	171	217	(45)
Total	69,626	63,397	6,228

The book value of the assets consisting of the right of use as at 30 June 2020 for each class of underlying asset and the related changes in the period 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 and new contracts	11,437	59	2,245	0	0	13,741
Remeasurement	20	(82)	21	0	2	(39)
Derecognition	(413)	(774)	(213)	0	0	(1,399)
Depreciation/amortisation	(3,994)	(1,455)	(480)	(98)	(47)	(6,074)
Total	55,705	2,753	8,918	2,078	171	69,626

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 - € 294,022 thousand

€ thousand	31/12/2019	Change in scope of consolidation	Gains/losses from valuation of shareholders' equity	Decrease for dividends	Currency translation differences	OCI	Other changes/reclassifications	30/06/2020
Acque	80,002	0	5,707	0	0	(279)	0	85,430
Acque servizi	4,362	0	388	0	0	(43)	0	4,708
Consorzio Agua Azul	7,981	(7,981)	0	0	0	0	0	0
GEAL	7,968	0	325	(188)	0	(5)	0	8,100
Intesa Aretina	507	0	87	0	0	0	0	594
Nuove acque	11,988	0	585	0	0	(1)	0	12,572
Publiacqua	115,756	0	6,565	(5,600)	0	(28)	0	116,692
Integrated Water Services	8,046	0	315	0	0	0	0	8,361
Umbra Acque	17,075	0	1,077	0	0	(27)	0	18,124
Ingegnerie Toscane	11,586	0	1,130	(652)	0	(9)	0	12,054
Energy	0	24,530	50	0	0	0	0	24,580
Other equity investments	2,769	0	(74)	0	68	0	45	2,807
Total equity investments	268,039	16,549	16,154	(6,440)	68	(393)	45	294,022

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 € 16,154 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"; and to the decrease for the distribution of dividends for a total of € 6,440 thousand. The increase in the scope of consolidation (+ € 16,549 thousand) resulted from the equity method consolidation of Energia (+ € 24,530 thousand) net of the full consolidation of Consorzio Agua Azul (- € 7,981 thousand). In relation to the consolidation of Energia, the value recorded as a change in scope includes the higher value recorded during the acquisition. See the "Business Combinations" section for more information.

€ thousand 30/06/2020	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	NFP
ACQUE	200,206	46,318	(120,849)	(38,225)	(38,042)	7,464	(89,190)
INTESA ARETINA	11,866	375	0	(200)	0	1,350	205
ECOMED	3	373	(20)	(412)	0	0	163
Energy	5,426	12,868	0	(748)	(591)	50	12,597
GEAL	17,490	7,615	(10,782)	(5,739)	(4,335)	338	(3,794)
INGEGNERIE TOSCANE	1,743	12,790	(644)	(7,995)	(5,776)	1,130	(129)
NUOVE ACQUE	18,184	6,310	(9,639)	(3,043)	(4,728)	585	(4,609)
PUBLIACQUA	203,029	72,573	(105,462)	(60,519)	(52,535)	7,788	(63,869)
ACQUE SERVIZI	837	8,998	(797)	(4,825)	(5,750)	388	(1,419)
SERVIZI IDRICI INTEGRATI	22,007	11,555	(8,640)	(16,657)	(5,388)	315	(9,507)
UMBRA ACQUE	61,056	14,219	(23,849)	(34,742)	(16,742)	1,512	(19,336)
Total	541,847	193,995	(280,684)	(173,105)	(133,886)	20,920	(178,889)

€ thousand 31/12/2019	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)
PUBBLIACQUA	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 - € 3,231 thousand

These total € 3,231 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 - € 241,355 thousand

At 30 June 2020, deferred tax assets, net of deferred tax liabilities, amounted to € 241,355 thousand (€ 237,693 thousand at 31 December 2019).

The changes in deferred tax assets were mainly related to: (i) € 26,084 thousand for the provision for tax risks (€ 27,440 thousand as at 31 December 2019), (ii) € 128,786 thousand to the amortisation/depreciation of tangible and intangible assets (€ 125,925 thousand as at 31 December 2019), (iii) € 85,070 thousand for the impairment of receivables (€ 81,586 thousand as at 31 December 2019) (iv) € 12,931 thousand to defined benefit and defined contribution plans (€ 13,413 thousand as at 31 December 2019) (v) € 7,981 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 € 10,425 thousand and allocations amounting to € 11,716 thousand contributed to this item.

The following table details the changes in this item:

€ thousand	2,019		Changes in 2020				2,020
	Balance	Changes in scope of consolidation	Adjustments/Reclassifications	Changes in shareholders' equity	Uses	IRES/IRAP provisions	Balance
Prepaid taxes							
Tax losses	680	0	(47)	0	(84)	3,940	4,489
Remuneration of BoD members	20	0	0	0	0	0	20
Provisions for risks and charges	27,440	0	(0)	0	(3,277)	1,922	26,084
Impairments of receivables and equity investments	81,586	0	(0)	33	0	3,450	85,070
Depreciation/amortisation	125,925	(1)	1	1,057	(3,712)	5,516	128,786
Defined benefit and defined contribution plans	13,413	0	0	(317)	(312)	148	12,931
Fair value commodities and other financial instruments	8,599	0	4	(618)	0	(4)	7,981
Others	56,182	2,199	1,623	275	(5,861)	3,184	57,602
Total	313,845	2,198	1,580	431	(13,246)	18,156	322,965
Deferred taxes							
Depreciation/amortisation	50,373	0	0	99	(2,053)	2,738	51,157
Defined benefit and defined contribution plans	717	(47)	16	(527)	(111)	135	183
Fair value commodities and other financial instruments	2,967	0	(0)	945	(82)	0	3,830
Others	22,095	(20)	505	869	(576)	3,566	26,439
Total	76,152	(67)	521	1,385	(2,821)	6,440	81,609
Net	237,693	2,266	1,059	(954)	(10,425)	11,716	241,355

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.

23. Non-current financial assets - € 43,509 thousand

These amount to € 43,509 thousand (€ 47,202 thousand at 31 December 2019) and show a decrease of € 3,693 thousand due mainly to the change in receivables due from Roma Capitale relating to new investments for the Public Lighting service, such as plant upgrading, energy savings, legislative adjustments and technological innovation, which will be paid to Acea, for an amount equal to tax depreciation, after 2019, in compliance with the terms of the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets - € 409,188 thousand

Other non-current assets at 30 June 2020 are composed as follows:

€ thousand	30/06/2020	31/12/2019	Change	% Change
Receivables due from the State	0	92	(92)	(100.0%)
Advances and deposits	1,407	1,157	250	21.6%
Other receivables	236	394	(157)	(39.9%)
Long-term receivables for tariff adjustments	270,383	277,522	(7,139)	(2.6%)
Long-term receivables for Regulatory Lag	122,016	91,111	30,905	33.9%
Accrued income and prepayments	15,147	10,391	4,756	45.8%
Other non-current assets	409,188	380,666	28,522	7.5%

This item also includes long-term receivables for tariff adjustments for € 270,383 thousand (€ 277,522 thousand at 31 December 2019) of the water companies while € 122,016 thousand (€ 91,111 thousand at 31 December 2019) is the long-term portion of the receivables registered in areti for regulatory lag.

25. Current assets - € 2,374,444 thousand

€ thousand	30/06/2020	31/12/2019	Change	% Change
Inventories	67,154	57,335	9,819	17.1%
Trade receivables				
Receivables from customers	1,044,889	935,082	109,808	11.7%
Receivables from Parent Company	84,549	86,745	(2,195)	(2.5%)
Receivables from subsidiaries and associates	16,218	13,636	2,582	18.9%
TOTAL TRADE RECEIVABLES	1,145,657	1,035,462	110,194	10.6%
Other current receivables and assets	227,886	212,956	14,930	7.0%
Current financial assets	421,987	299,212	122,776	41.0%
Tax receivables	46,604	12,328	34,275	n.s.
Cash and cash equivalents	465,156	835,693	(370,537)	(44.3%)
Current assets	2,374,444	2,452,987	(78,543)	(3.2%)

25.a - Inventories

Inventories amounted to € 67,154 thousand (€ 57,335 thousand at 31 December 2019) and increased by € 9,819 thousand, mostly attributable to the change in the scope of consolidation for € 6,358 thousand (mainly SIMAM for € 5,953 thousand).

25.b - Trade receivables

These amounted to € 1,145,657 thousand, recording an increase of € 110,194 thousand compared to 31 December 2019, when the figure was € 1,035,462 thousand.

€ thousand	30/06/2020	31/12/2019	Change	% Change
Trade receivables	1,044,889	935,082	109,808	11.7%
Receivables from the parent company	84,549	86,745	(2,195)	(2.5%)
Trade receivables from Associates and Joint Ventures	16,218	13,636	2,582	18.9%
Total trade receivables	1,145,657	1,035,462	110,194	10.6%

Trade receivables

These amounted to € 1,044,889 thousand, recording an increase of € 109,808 thousand compared to 31 December 2019.

€ thousand	30/06/2020	31/12/2019	Change	% Change
Receivables due from end users for bills issued	380,246	347,984	32,262	9.3%
Receivables due from end users for bills to be issued	488,866	445,000	43,866	9.9%
Total receivables due from end users	869,112	792,985	76,128	9.6%
Receivables from other customers	175,717	142,037	33,680	23.7%
Other current receivables and assets	60	60	0	n.s.
Total receivables	1,044,889	935,082	109,808	11.7%

Receivables are shown net of the Provision for doubtful receivables, which at 30 June 2020 amounted to € 635,202 thousand and decreased by € 16,324 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 € 47,325 thousand at 30 June 2020.

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

€ million	30/06/2020			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)	(c)	(d)	(c)	(a)-(c)	(b)-(d)	(c)-(d)
Environment	72,662	(5,090)	67,572	63,378	(4,531)	58,847	9,284	(559)	8,725
Commercial and Trading	415,005	(236,928)	178,078	466,857	(279,803)	187,054	(51,852)	42,876	(8,976)
Water	918,294	(287,967)	630,327	799,570	(268,259)	531,311	118,724	(19,707)	99,016
Overseas	25,038	(15,454)	9,583	19,905	(13,639)	6,266	5,133	(1,816)	3,318
Energy infrastructure	238,000	(86,668)	151,332	232,715	(83,332)	149,383	5,286	(3,336)	1,949
Engineering and Services	8,698	(962)	7,736	2,322	(909)	1,413	6,376	(53)	6,323
Parent Company	2,394	(2,132)	261	1,860	(1,053)	808	533	(1,080)	(546)
Total	1,680,092	(635,202)	1,044,889	1,586,608	(651,527)	935,082	93,484	16,324	109,808

Environment

These totalled € 67,572 thousand, an increase of € 8,725 thousand compared to 31 December 2019. The increase is mainly due to the change in the scope of consolidation for € 8,469 thousand, in particular to Cavallari (+ € 3,783 thousand) and Ferrocarril (+ € 3,226 thousand).

Commercial and Trading

Receivables in this segment amounted to € 178,078 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The decrease compared to 31 December 2019 was € 8,976 thousand, mainly due to Acea Energia for € 7,496 thousand.

In HI 2020, Acea Energia receivables totalling € 155,304 thousand were transferred pro-soluto, € 40,621 thousand to the Public Administration.

Overseas

These totalled € 9,583 thousand and increased compared to 31 December 2019 by € 3,318 thousand. This change mainly refers to Consorcio Agua Azul (+ € 1,081 thousand) and Aguas de San Pedro (+ € 2,380 thousand).

Water

These totalled € 630,327 thousand, recording an increase of € 99,016 thousand compared to 31 December 2019. The increase is due to the consolidation of AdF for € 9,257 thousand, Gori for € 22,197 thousand and Acea Ato 2 for € 56,318 thousand.

In HI 2020, Acea Ato 2 receivables totalling € 160,764 thousand were transferred pro-soluto, € 12,130 thousand to the Public Administration.

Energy Infrastructure

These amounted to € 151,332 thousand, a slight increase of € 1,949 thousand compared to 31 December 2019, of which € 636 thousand due to changes in scope.

In HI 2020, areti receivables totalling € 268,259 thousand were transferred pro-soluto, € 77,720 thousand to the Public Administration.

Engineering and Services

These totalled € 7,736 thousand, an increase compared to 31 December 2019 of € 6,623 thousand, mainly due to the consolidation of SIMAM (+€ 4,711 thousand) and to Technologies for Water Services for € 1,583 thousand.

Parent Company

These totalled € 261 thousand, recording a decrease of € 546 thousand compared to 31 December 2019.

Receivables from the Parent Company Roma Capitale

The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was € 245,977 thousand compared to € 234,898 thousand at the end of the previous year.

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	30/06/2020	31/12/2019	Change	% Change
RECEIVABLES	245,977	234,898	11,078	4.7%
PAYABLES (including dividends)	(268,125)	(201,239)	(66,886)	33.2%
Balance (Receivables - Payables)	(22,148)	33,660	(55,808)	(165.8%)

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

Amounts due from Roma Capitale	30/06/2020	31/12/2019	Change
	A)	B)	A) - B)
Utility receivables	88,358	90,567	(2,209)
Provisions for write-downs	(9,352)	(9,343)	(9)
Total receivables from users	79,006	81,224	(2,218)
Receivables for water works and services	2,305	2,484	(179)
Receivables for water works and services to be invoiced	1,642	1,461	181
Contributions	0	0	0
Provisions for write-downs	(1,897)	(1,897)	0
Receivables for electrical works and services	3,820	3,799	21
Provisions for write-downs	(326)	(326)	0
Total receivables for works	5,543	5,520	23
Total trade receivables	84,549	86,745	(2,195)
Financial receivables for Public Lighting services billed	143,854	138,838	5,015
Provisions for write-downs	(30,152)	(30,152)	0
Financial receivables for Public Lighting services to be billed	52,669	39,201	13,467
Provisions for write-downs	(18,434)	(14,960)	(3,474)
M/L term financial receivables for Public Lighting services	13,491	15,227	(1,735)
Total Public Lighting receivables	161,427	148,154	13,273
Total Receivables	245,977	234,898	11,078

Payables due to Roma Capitale	30/06/2020	31/12/2019	Change
Electricity surtax payable	(15,250)	(15,251)	1
Concession fees payable	(87,098)	(96,412)	9,314
Other payables	(10,102)	(10,109)	7
Dividend payables	(155,675)	(79,468)	(76,207)
Total payables	(268,125)	(201,239)	(66,886)
Net balance receivables payables	(22,148)	33,660	(55,808)

The change in receivables and payables is due to the accrual of the period and the effects of offsets, summarised below.

- February 2020: receivables for € 10,463,000 relating to the Public Lighting service and for 2018 and 2016-2018 pro-rata amounts in exchange for Acea's share dividends for the year 2018;
- March 2020: receivables for € 20,362 thousand relating to water services for the years 2017-2018 in exchange for the Acea Ato 2 concession fee;
- June 2020: receivables for € 2,108 thousand relating mainly to water services for water fountains for the years 2015-2018 in exchange for the Acea Ato 2 concession fee.

During the period the stock of trade receivables recorded a decrease of € 2,195,000 compared to the previous period mainly due to the user billing for the period (€ 20,072,000) and the offsets detailed above (€ 22,470,000).

Financial receivables grew € 13,273 thousand compared to the previous period, to be attributed to the combined effect of: i) compensation of financial receivables in February (as noted above), and ii) accrual during the period of receivables relative 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 (€ 23,736 thousand).

During the half-year, payables increased by € 66,886 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 € 13,157 thousand;
- Zeroing of the Acea Ato 2 concession fee for 2016 due to offsets during the period for € 21,746 thousand;

- Decrease in the payable for Acea's share dividends for 2018 of € 10,463 thousand following the payment made through offsetting in February;
- Decrease in the Acea Ato 2 concession fee for 2017 of € 724 thousand following payment through offsets.

Trade receivables from associates and joint ventures

€ thousand	30/06/2020	31/12/2019	Change	% Change
Receivables from associates	9,555	8,658	897	10.4%
Receivables from jointly controlled entities	6,663	4,978	1,684	33.8%
Total	16,218	13,636	2,582	18.9%

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 € 16,218 (+ € 2,582 thousand), and the increase is due to Acea's higher receivables from subsidiaries for the recognition of receivables arising from the allocation of costs incurred for the Acea2.0 programme, and reflects the allocation of the investment in the joint venture. The increase in receivables from associated companies refers to Umbriadue's higher receivables from the IIS for operational management work.

25.c - Other current receivables and assets

€ thousand	30/06/2020	31/12/2019	Change	Change %
Receivables from others	202,240	192,957	9,283	4.8%
Accrued income and prepayments	25,647	19,999	5,647	28.2%
Total	227,886	212,956	14,930	7.0%

Receivables from others

These totalled € 202,240 thousand, with breakdown of the main contributing items as follows:

€ thousand	30/06/2020	31/12/2019	Change	% Change
Receivables due from the Equalisation Fund	39,717	31,681	8,036	25.4%
Receivables from Equalisation Fund for Tariff Contribution from cancellation	13,994	4,882	9,112	186.6%
Other receivables from Equalisation Fund	9,867	5,558	4,309	77.5%
Regional grants receivable	227	815	(588)	(72.2%)
Receivables from Equitalia	110	110	0	n.s.
Security deposits	3,359	3,354	4	0.1%
Receivables from social security institutions	1,819	3,130	(1,311)	(41.9%)
Receivables from individual transfers	2,352	2,354	(2)	(0.1%)
Suppliers' advances	9,218	4,316	4,902	113.6%
Receivables due from Municipalities	11,676	11,553	123	1.1%
Receivables from Factor from the sale	387	(150)	536	n.s.
Receivables for accrued Green Certificates	8,983	4,301	4,682	108.9%
Receivables from staff	62	33	29	86.9%
Receivables for advances to employees	205	215	(9)	(4.3%)
Other Tax Receivables	16,277	33,024	(16,747)	(50.7%)
Other receivables	83,988	87,783	(3,795)	(4.3%)
Total	202,240	192,957	9,283	4.8%

The increase of € 9,283 thousand results from the opposite effect of the increase in receivables from the Compensation Fund (+ € 20,458 thousand) and receivables for Green Certificates (+ € 4,682 thousand), partly offset by the decrease in VAT receivables (- € 16,720 thousand).

Accrued income and prepaid expenses

These amounted to € 25,647 thousand (€ 21,457 thousand at 31 December 2019) and refer mainly to rent on public land, lease payments and insurance. The change was a positive € 5,647 thousand.

25.d - Current tax assets

These amounted to € 46,604 thousand (€ 12,328 thousand at 31 December 2019) and include IRAP and IRES receivables.

25.e - Current financial assets

€ thousand	30/06/2020	31/12/2019	Change	% Change
Financial receivables from the Parent Company Roma Capitale	147,936	132,927	15,009	11.3%
Financial receivables from subsidiaries and associates	9,067	2,518	6,549	n.s.
Financial receivables from third parties	264,984	163,766	101,218	61.8%
Total	421,987	299,212	122,776	41.0%

Financial receivables from the Parent Company Roma Capitale

These totalled € 147,936 thousand, recording a decrease of € 15,009 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 € 9,067 thousand (€ 2,518 thousand as at 31 December 2019) and refer for € 1,595 thousand to the short-term portion of the loan for financing shareholders registered in Umbriadue Servizi provided to the associated company S.I.I. and for € 5,600 to ABF for the loan related to the dividends of Publicacqua.

Financial receivables from third parties

These amounted to € 264,984 thousand (€ 163,766 thousand at 31 December 2019) and are mainly broken down as follows:

- € 10,700 thousand recorded in Acea Ato 5. This amount refers to the receivable from the OTA and accrued over three years; one-third of the above amount was due December 31 of each year, with the first instalment due on 31 December 2007. The Settlement Agreement entered into by the Company and the OTA concerns the issue of higher operating costs incurred in the 2003-2005 period and provides for the recognition of higher costs net of sums relating to (i) the tariff portion - corresponding to amortisation/depreciation and return on inflated invested capital - relating to the investments set out in the Area Plan and not carried out in the first three-year period (ii) the portion of inflation accrued on concession fees and (iii) fines for the non-fulfilment of contractual obligations in the three-year period,
- € 246,431 recorded by the Parent Company, increasing by € 104,688 thousand, mainly for the opening of a short-term deposit line with the Parent Company;
- € 3,178 thousand recorded in Ecogena for finance leases issued for the cogeneration plants built.

25.f - Cash and cash equivalents

The balance at 30 June 2020 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies amounted to € 465,156 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	30/06/2020	31/12/2019	Change	Change %
Bank and postal deposits	460,812	823,742	(362,931)	(44.1%)
Cheques	1,852	1,280	572	44.7%
Cash and similar items of value on hand	2,492	10,671	(8,179)	(76.6%)
Total	465,156	835,693	(370,537)	(44.3%)

Liabilities

At 30 June 2020 these amounted to € 9,182,200 thousand (€ 8,954,416 thousand at 31 December 2019), recording an increase of € 227,784 thousand (+2.5%) over the previous year, and are broken down as follows:

€ thousand	30/06/2020	31/12/2019	Change	% Change
Shareholders' equity	2,123,100	2,106,710	16,390	0.8%
Non-current liabilities	4,831,933	4,199,020	632,913	15.1%
Current liabilities	2,227,167	2,648,685	(421,518)	(15.9%)
Total Liabilities	9,182,200	8,954,416	227,784	2.5%

26. Shareholders' equity - € 2,123,100 thousand

At 30 June 2020, shareholders' equity amounted to € 2,123,100 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 € 536,309 thousand;
- ✚ **Treasury shares: 416,993** ordinary shares for a total par 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 30 June 2020 this item amounted to € 461,747 thousand against € 352,851 thousand at 31 December 2019.

In addition to the allocation of the previous year's result, the change of € 108,897 thousand derives mainly from: **i)** distribution of dividends of the parent company for € 165,788 thousand and **ii)** decrease in cash flow hedges of financial instruments and commodities for € 1,441 thousand **iii)** increase of € 1,369 thousand in actuarial gains and losses reserves; **iv)** decrease in the exchange rate reserve for € 2,992 thousand.

At 30 June 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 € 288,941 thousand, an increase of € 37,002 thousand. The difference between the two periods under comparison, in addition to the change in the portion of net profit attributable to minority interests, mainly reflects the change in scope (+ € 22,607 thousand), and in particular the full consolidation of Consorzio Agua Azul (+ € 14,863 thousand).

27. Employee severance indemnity and other defined benefit plans - € 106,227 thousand

At 30 June 2020, this item amounted to € 106,227 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	30/06/2020	31/12/2019	Change	% Change
Benefits due at the time of termination of employment				n.s.
- Employee severance indemnity	68,974	65,719	3,255	5.0%
- Extra months	10,439	10,498	(59)	(0.6%)
- Long-Term Incentive Plans (LTIP)	1,442	1,945	(503)	(25.9%)
Post-employment benefits				n.s.
- Tariff subsidies	25,372	26,451	(1,079)	(4.1%)
Total	106,227	104,613	1,614	1.5%

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.

	June 2020	December 2019
Discount Rate	0.70%	0.77%
Revenue growth rate (average)	1.59%	1.59%
Long-term inflation	1.50%	1.00%

It should be noted that for the first valuation of the companies Ferrocarril Srl, Cavallari Srl and Multigreen Srl on 22 April 2020 the discounting rate of the initial valuation was 1.10%, while for the company Simam S.p.a. the rate recorded on 7 May 2020 was 1.00%.

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	+0.5%	-0.5%
	€ million	€ million
Employee severance indemnities (TFR)	-3.2	+3.4
Tariff subsidies	-0.3	+0.3
Extra months	-0.2	+0.2

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

28. Provisions for liabilities and charges - € 209,648 thousand

At 30 June 2020, the provision for risks and charges amounted to € 209,648 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. The change is due among other things to the provision for interim taxes.

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	Payment of Redundancy Funds	Reclassifications/ Other changes	30/06/2020
Legal	16,224	(668)	1,321	(421)	(36)	16,420
Taxes	9,326	0	120	(225)	(168)	9,054
Regulatory risks	27,563	(42)	930	(2)	64	28,512
Investees	7,464	0	0	(172)	0	7,292
Contributory risks	1,405	(325)	9	(74)	78	1,094
Insurance excess	10,297	(1,043)	1,082	0	0	10,336
Other risks and charges	25,212	(1,028)	3,211	(13)	992	28,375
Total Provision for Risks	97,492	(3,107)	6,674	(906)	930	101,083
Early retirements and redundancies	29,076	(9,767)	20	(80)	393	19,642
Post mortem	17,090	(1)	6	0	244	17,339
Provision for Settlement Charges	147	(37)	0	0	0	111
Provision for Charges of others	7,613	(374)	1,756	0	100	9,096
Provision for interim taxes	0	0	61,717	0	661	62,378
Total Provision for Charges	53,926	(10,178)	63,499	(80)	1,398	108,565
Total Provisions for Risks and Charges	151,418	(13,285)	70,173	(986)	2,328	209,648

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 about the nature of the allocations please refer to note 8 and what is indicated in the section "Update on major disputes and litigation".

29. Non-current borrowings and financial liabilities - € 4,122,593 thousand

€ thousand	30/06/2020	31/12/2019	Change	% Change
Bonds	3,246,322	2,754,298	492,025	17.9%
Medium/long-term borrowings	817,048	745,913	71,135	9.5%
IFRS 16 financial payables	59,223	51,679	7,544	14.6%
Total	4,122,593	3,551,889	570,704	42.0%

The figures in the table include the fair value, at 30 June 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	30.06.2020	Hedged instrument	Derivative fair value	31.12.2019
Bonds	3,228,469	17,853	3,246,322	2,740,607	13,691	2,754,298
Medium/long-term borrowings	809,947	7,100	817,048	740,361	5,551	745,913
Non-current borrowings and financial liabilities	4,038,416	24,954	4,063,370	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 € 3,246,322 thousand at 30 June 2020 (€ 2,754,298 thousand at 31 December 2020) and refer to the following:

- **€ 597,105 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 € 7,832 thousand;
- **€ 494,316 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 € 2,486 thousand;
- € 160,236 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 20,576 thousand, amounted to **€ 176,751 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 2,087 thousand, of the hedged instrument calculated on 30 June 2020. The exchange rate at 30 June 2020 amounted to € 121.24 against € 121.77 at 31 December 2019. Interest accrued during the period amounted to € 4,156 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.
- **€ 299,617** (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 € 48 thousand;
- **€ 689,790** 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 € 5,223 thousand.
- **€ 493,733 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 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 4,354 thousand;
- **€ 495,010 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 € 999 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	596,245	0	15,148	611,393
Private Placement issued in 2014	160,219	16,515	632	177,366
Issued in 2016	493,285	0	3,429	496,714
Issued in 2018	987,553	0	709	988,262
Issued in 2019	492,890	0	935	493,825
Issued in 2020	494,402	0	589	494,991
Total	3,224,594	16,515	21,442	3,262,551

^(*) including amortised cost

^(**) including rates on hedging instruments

Medium/long-term borrowings (including short-term portions)

These totalled € 907,948 thousand (€ 827,947 thousand at 31 December 2019) and include: (i) principal outstanding falling due beyond 12 months totalling € 817,048 thousand (€ 745,913 thousand at 31 December 2019), (ii) the portions of the same borrowings falling due in the 12 months thereafter, totalling € 90,900 thousand (€ 82,035 thousand at 31 December 2019) including the fair value portion totalling € 7,100 thousand (€ 5,551 thousand at 31 December 2019) of derivative instruments intended to hedge interest rate risks.

The increase, which refers for € 79,483 thousand 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	Total Residual Debt	By 30.06.2021	from 30.06.2021 to 30.06.2025	After 30.06.2025
fixed rate	320,050	27,723	227,736	64,591
floating rate	429,600	48,791	185,952	194,857
floating rate cash flow hedge	158,298	14,386	49,997	93,915
Total	907,948	90,900	463,684	353,363

The fair value of hedging derivatives totalled € 7,100 and consisted of € 613 thousand related to the Parent Company, € 4,791 to AdF and € 1,302 thousand to Gori.

The Group's principal 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), 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 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. As regards the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Financing:	Amortised cost	RISK LESS FV	Delta	RISK ADJUSTED FV	Delta
	(A)	(B)	(A)-(B)	(C)	(A)-(C)
Bonds	3,262,551	3,621,715	(359,165)	3,337,319	(74,769)
fixed rate	320,050	370,574	(50,524)	356,769	(36,719)
floating rate	429,600	438,063	(8,463)	436,426	(6,827)
floating rate cash flow hedge	158,298	179,312	(21,014)	178,126	(19,828)
Total	4,170,498	4,609,663	(439,165)	4,308,641	(138,143)

IFRS 16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS 16 amounting to € 59,223 thousand, of which the short-term portion amounts to € 12,071 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	12,071	22,403	43,927	71,294

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 assets - € 393,466 thousand

€ thousand	30/06/2020	31/12/2019	Change	% Change
Advances received	169,078	159,609	9,469	5.9%
Water and electrical connection fees	44,050	49,564	(5,514)	(11.1%)
Capital grants	143,822	139,870	3,952	2.8%
Accrued liabilities and deferred income	36,515	42,057	(5,541)	(13.2%)
Total other liabilities	393,466	391,100	2,366	0.6%

Advances from end users and customers

Advances include: (i) the amount of the security deposits and consumption advances of the water companies and (ii) 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	30/06/2020	31/12/2019	Change	% Change
Advances from users	13,617	9,242	4,374	47.3%
User guarantee deposits	149,120	149,329	(208)	(0.1%)
Advances from other customers	6,341	1,038	5,303	n.s.
Total	169,078	159,609	9,469	5.9%

€ thousand	30/06/2020	31/12/2019	Change	% Change
Advances from users	13,617	9,242	4,374	47.3%
User guarantee deposits	149,120	149,329	(208)	(0.1%)
Advances from other customers	6,341	1,038	5,303	n.s.
Total	169,078	159,609	9,469	5.9%

The increase recorded is mainly due to the change in the scope of consolidation, mainly to SIMAM (+ € 5,485 thousand).

Capital grants and water connection fees

Water connection contributions amounted to €44,050 thousand (€ 49,564 thousand at 31 December 2019), while plant contributions amounted to € 143,822 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 - € 2,227,167 thousand

€ thousand	30/06/2020	31/12/2019	Change	% Change
Financial Payables	318,833	674,364	(355,531)	(52.7%)
Trade payables	1,530,733	1,600,263	(69,530)	(4.3%)
Tax Payables	16,003	11,977	4,026	33.6%
Other current liabilities	361,598	362,082	(484)	(0.1%)
Current liabilities	2,227,167	2,648,685	(421,518)	(15.9%)

31.a Financial payables

€ thousand	30/06/2020	31/12/2019	Change	Change %
Payables to banks for short-term credit lines	4,937	6,526	(1,589)	(24.3%)
Payables due to banks for financing	90,900	82,035	8,865	10.8%
Short-term bonds	16,228	453,390	(437,161)	(96.4%)
Payables to the Parent Company Roma Capitale	155,786	79,578	76,207	95.8%
Payables to subsidiaries and associates	596	596	0	n.s.
Payables to third parties	38,316	39,454	(1,138)	(2.9%)
IFRS 16 financial payables within one year	12,071	12,786	(715)	(5.6%)
Total	318,833	674,364	(355,531)	(52.7%)

Payables for short-term bank credit lines

These amount to € 4,937 thousand (€ 6,526 thousand at 31 December 2019) and show a decrease of € 1,589 thousand, mainly attributable to Pescara Distribuzione Gas.

Payables due to banks for financing

This amounted to € 90,900 thousand (€ 82,035 thousand at 31 December 2019), and as already specified in note no. 29 refer to the current portion of bank loans falling due within 12 months. The change in the scope contributed to an increase of € 3,906 million.

Short-term bonds

These amounted to € 16,228 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 € 155,786 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 total € 596 thousand and did not change compared to 31 December 2019.

Payables to third parties

These amounted to € 38,316 thousand, € 39,454 thousand at 31 December 2019. The item can be represented as follows:

€ thousand	30/06/2020	31/12/2019	Change	% Change
Dividends payable to shareholders	1,300	539	761	141.2%
Financial payables due to factors	25,586	31,206	(5,620)	(18.0%)
Other financial payables	11,429	7,708	3,721	48.3%
Total	38,316	39,454	(1,138)	(2.9%)

IFRS 16 financial payables within one year

These payables represent the short-term portion of the financial debt as at 30 June 2020 recorded following the first application of the new IFRS 16 international standard. For additional information refer to note 29.

31.b Trade payables

€ thousand	30/06/2020	31/12/2019	Change	% Change
Payables to suppliers	1,412,837	1,472,802	(59,965)	(4.1%)
Payables to the parent company	112,339	121,661	(9,321)	(7.7%)
Payables to subsidiaries and associates	5,557	5,800	(243)	(4.2%)
Trade payables	1,530,733	1,600,263	(69,530)	(4.3%)

Payables to third-party suppliers

Payables to suppliers amounted to € 1,412,837 thousand. The decrease of € 59,965 thousand is mainly attributable to areti (- € 35,286 thousand) and Acea Energia (- € 14,241 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 € 112,339 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 € 5,557,000 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 € 16,003 thousand (€ 11,977 thousand at 31 December 2019) and include the IRAP and IRES tax burden for the period. The increase of € 4,026 thousand is mainly due to AdF (+ € 3,428 thousand) and to the change in the scope of consolidation, in particular to the consolidation of Consorcio Agua Azul (+ € 1,225 thousand).

31.d Other current liabilities

These are equal to € 361,598 thousand and are represented as follows:

€ thousand	30/06/2020	31/12/2019	Change	Change %
Payables to social security institutions	32,901	24,904	7,997	32.1%
Accrued liabilities and deferred income	34,238	28,688	5,551	19.3%
Other current liabilities	294,459	308,490	(14,031)	(4.5%)
Total	361,598	362,082	(484)	(0.1%)

Payables to social security institutions

These amounted to € 32,901 thousand (€ 24,904 thousand at 31 December 2019), with an increase of € 7,997 thousand mainly attributable to areti (+ € 3,579 thousand) and Acea Ato 2 (+ € 2,940 thousand).

Accrued liabilities and deferred income

This item amounted to € 34,238 thousand (€ 28,688 thousand at 31 December 2019). The change is mainly attributable to Acea Energia (+ € 3,792 thousand), Pescara Distribuzione Gas (+ € 968 million), Umbria Energy (+ € 928) and partially offset by Acea Ato 2 (- € 1,600 thousand).

Other current liabilities

These amounted to € 294,459 thousand, an increase of € 14,031 thousand compared to 31 December 2019. The entry is made up as follows:

€ thousand	30/06/2020	31/12/2019	Change	% Change
Payables to Equalisation Fund	47,168	54,758	(7,590)	(13.9%)
Payables to Municipalities for concession fees	54,646	54,916	(270)	(0.5%)
Payables for collections subject to verification	17,648	15,022	2,625	17.5%
Payables due to personnel	39,948	51,147	(11,200)	(21.9%)
Other payables to Municipalities	32,065	30,236	1,829	6.0%
Payables to Equitalia	2,096	2,098	(2)	(0.1%)
Welfare contribution payables	(349)	(296)	(53)	17.9%
Payables for environmental premium art. 10 of ATI4 agreement of 13/08/2007	613	560	53	9.5%
Payables for purchase of surface rights	5	133	(129)	(96.4%)
Payables to end users for refund of Tariff Component as per referendum outcome	13	13	0	n.s.
Payables for the purchase of a business unit	0	0	0	n.s.
Other payables	100,607	99,902	705	0.7%
Other current liabilities	294,459	308,490	(14,031)	(4.5%)

The decrease of € 14,031 thousand refers mainly to lower payables to employees for € 11,200 thousand, mainly attributable to the Parent Company (- € 5,225 thousand) and Acea Ato 2 (- € 3,473 thousand) and lower payables to the Compensation Fund for € 7,590 thousand mainly attributable to areti (- € 10,557 thousand) only partially offset by Acea Ato 2 (+ € 2,746 thousand).

Commitments and contingencies

Endorsements, sureties and guarantees

At 30 June 2020 they totalled € 422,605 thousand (€ 385,590 thousand at 31 December 2019), recording an increase of € 37,015 thousand.

The balance is made up of:

- ✚ € 110,111 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;
- ✚ € 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 related to the bank guarantee issued in favour of Roma Capitale regarding the contract for realisation of works under the “Technological Project” for the new network of multi-service cable ducts in Via Tiburtina and as collateral 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 relating to Acea Ato 5 and in particular to the surety envisaged by art. 31 of the Technical Specifications, issued by UNICREDIT to the 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 and adjusted in the amount with 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;
- ✚ € 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 S.p.A.

Business Combination

Urbe Group

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

€ thousand Net Assets Acquired (€ thousand)	URBE GROUP		
	IAS/IFRS	FV 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
Other payables	(150)	0	(150)
Other financial liabilities	(6,020)	0	(6,020)
NET BALANCE	351	1,056	1,407
Goodwill/(Badwill)			(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 badwill amounted to € 931 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

KT4 Srl

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

€ thousand Net Assets Acquired (€ thousand)	KT4		
	IAS/IFRS	FV 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	244	415	659
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.

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.

€ thousand	TRINOVOLT		
	IAS/IFRS	FV Adj	Fair value
Net Assets Acquired (€ thousand)			
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
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/(Badwill)			(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 badwill amounted to € 1,227 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

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.

€ thousand	MARCHE SOLAR		
	IAS/IFRS	FV Adj	Fair value
Net Assets Acquired (€ thousand)			
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/(Badwill)			(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 badwill amounted to € 495 thousand and the transaction was accounted for using the acquisition method and the related results are definitive.

Acquisition of 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:

DEMAP			
€ thousand			
Net Assets Acquired (€ thousand)	IAS/IFRS	FV 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.

Acquisition of Pescara 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:

Pescara Gas			
€ thousand			
Net Assets Acquired (€ thousand)	IAS/IFRS	FV 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
attributable to third parties	0		(3,529)
Goodwill/(Badwill)	0		617
Net value acquired	6,860		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.

Provisional acquisitions

Acquisition of photovoltaic companies

From the second half of 2019, through the newly formed Acea Sun Capital and Acea Solar, the Group completed the purchase of a series of companies operating in the renewable energy photovoltaic sector.

With regard to the acquisitions in 2019 still under analysis and pending final allocation (Group acquired by Belenergia, Group acquired by Sindal) and the acquisitions during H1 2020 (Fergas, Euroline3, Bersolar, IFV Energy and PF Power for future), the overall value for the acquisition of the shareholdings is shown below, equal to € 22,891 thousand.

€ thousand

Net Assets Acquired (€ thousand)	14,283
attributable to third parties	(3,755)
Goodwill	12,364
Net value acquired	22,891
Net cash outflow for the acquisition	(22,891)
Cash and cash equivalents acquired	6,106
Repayment of financial payables	(5,229)
Payables to banks	(30,839)
Net cash flow	(52,853)

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 Berg

On 18 October 2019, the Group acquired 60% of Berg, a waste management company in the Municipality of Frosinone. The overall value for the acquisition of the shareholdings is shown below:

€ thousand

Net balance	1,856
attributable to third parties	(742)
Goodwill	5,770
Net value acquired	6,833
Net cash outflow for the acquisition	(6,833)
Cash and cash equivalents acquired	1,151
Repayment of financial payables	0.0
Payables to banks	(821.9)
Net cash flow	(5,941)

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 Cavallari and Ferrocarril Group

On 22 April 2020, through Acea Ambiente the Group acquired 60% of the companies Ferrocarril and Cavallari, which in turn owns 100% of Multigreen. The companies own a total of four plants with a total authorised capacity of over 145,000 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	10,605
attributable to third parties	(4,215)
Goodwill	11,018
Net value acquired	17,409
	0
Net cash outflow for the acquisition	(17,449)
Cash and cash equivalents acquired	6,769
Repayment of financial payables	0
Payables to banks	(8,006)
Net cash flow	(18,685)

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	6,676
attributable to third parties	(2,003)
Goodwill	13,792
Net value acquired	18,465
	0
Net cash outflow for the acquisition	(18,465)
Cash and cash equivalents acquired	4,426
Repayment of financial payables	0
Payables to banks	(5,689)
Net cash flow	(19,728)

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
	0
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 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 transaction is currently being analysed in order to comply with the Purchase Price Allocation required by the IFRS 3 international accounting standard.

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 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 Goodwill of € 6.8 million has been provisionally recorded.

Acquisition of Energia S.p.A.

On 13 May 2020, through Acea Sun Capital, the Group acquired a 49.9% non-controlling stake in the company Energia. This company operates in the design, construction, management and maintenance of plants for the production of electricity, including from renewable sources. At the date of purchase, the company also owns two incentivised photovoltaic systems (under the so-called 4th Feed-in tariff), with a net power of about 7.6 MW in the territory of 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.

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–Orvieto 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 S.p.A. and Acea Ato 5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- **Campania** where Gori S.p.A. 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 S.p.A., in the province of Florence, through Publiacqua S.p.A., in the provinces of Siena and Grosseto, through AdF S.p.A. in the province of Arezzo through Nuove Acque S.p.A. and in the province of Lucca and periphery through GEAL S.p.A.,
- **Umbria** where the Group operates in the province of Perugia through Umbra Acque S.p.A., and Terni through S.I.I. ScpA.

The Group is also in charge of several former CIPE services in the province of Benevento with GESESA S.p.A. and in the municipalities of Termoli and Campagnano with Acea Molise S.p.A.

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 **(i)** applied for and funded by the Municipality or **(ii)** 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.

Integrated Water Service

Lazio – Acea Ato 2 S.p.A. (Ato 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 30 June 2020 the territory managed has not undergone changes compared to 31 December 2019.

Pending the definition of the tariff for the third regulatory period (four-year period 2020-2023) pursuant to ARERA Resolution 580/2019/R/idr (MTI-3), whose deadlines for submission to ARERA by the AGB are currently being defined, Acea Ato 2 temporarily applied the tariff for the year 2019 until March 2020, as approved by ARERA Resolution 572/2018/R/idr. 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 in fact initiated with effect from 1 January 2019. The application of the new tariff structure allows for the counting of the number of members of each resident household of 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) will be 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 actual number of people will be retroactive to 1 January 2019 for users who have made this information available by February 2020, while the data acquired subsequently will take effect from the date of communication. With regard to the tariff for the year 2020, to be applied with effect from 1 January 2020, pending final approval of the fees for the third regulatory period, pursuant to paragraph 7.2 letter a) of ARERA Resolution 580/2019/R/idr, the 2019 tariff, adapted to the provisions of the TICSI, will be updated on the basis of the tariff multiplier resulting from the Economic and Financial Plan already approved under the current tariff provisions. Pending the adoption of the new tariff structure, with effect from 1 January 2020 Acea Ato 2 applied a tariff increase of 2.03%. The differences arising from the application of the provisional tariffs will be adjusted.

Moreover, note the approval of the Implementation Regulations for the **2019 supplementary water bonus** of OTA 2 Central Lazio - Rome by resolution no. 2-19 of the Conference of Mayors of 15 April 2019". Those entitled are direct users (holders of a resident household account) and indirect users (household users in an apartment complex). 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. Following 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 TAR 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 Chairman. In application of art. 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 art. 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 € 336.2 million were calculated according to ARERA Resolution 572/2018: they include the estimate of the adjustments of passing items, the FoNI component (€ 25.8 million) and, as previously illustrated, the bonus related to commercial quality is zero.

Lazio – Acea Ato 5 S.p.A. (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 OTA 5 region – Southern Lazio – Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are "outside the scope") for a total population of about 490,000 inhabitants, a population served of 470,000 inhabitants, with a service coverage equal to approximately 97% of the territory. The number of users is 200,434.

With regard to the **tariffs**, as is known, with resolution 580/2019/R/idr of 27 December 2019 ARERA approved the water tariff method for the third regulatory period (MTI-3) for the purpose of determining the tariffs for the integrated water service for the years 2020 to 2023.

Despite the COVID-19 emergency, meetings are being held on a weekly basis between the Operator and the Operational Technical Secretariat of the AGB aimed at defining the requirements necessary to arrive at the preparation of a tariff proposal that contains the recognition of the various extra costs incurred by the Company.

Pending the adoption of the new tariff structure, with effect from 1 January 2020 Acea Ato 5 applied a tariff increase of 7.7% in application of Resolution 580/2019/R/ldr. The differences arising from the application of the provisional tariffs will be adjusted.

Revenues for the period amounted to € 41.8 million including the estimate of the adjustment of passing items and the FoNI component € 3.4 million. For more information, see the "Water" section of "Performance by operating segment".

As regards the tariff adjustments, note that the total amounted to € 96.9 million.

For **relations with OTAA 5**, see the section entitled "*Significant events in H1 2020 and later*" regarding Water.

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 S.p.A. (Sarnese Vesuviano)

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 Vesuviano Area Authority. Gori pays a fee to the grantor of the concession (the Sarnese Vesuviano 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

First of all, it should be remembered that the ARERA has established: a first transitional tariff method for the years 2012 and 2013, issued with resolution 585/2012/R/IDR ("Transitional Tariff Method" or "MTT"); a second water tariff method for the years 2014 and 2015 issued with resolution 643/2013/R/IDR ("Water Tariff Method" or "MTI"); a third and currently applicable water tariff method for the second regulatory period 2016-2019 implemented with resolution 664/2015/R/IDR, as amended by subsequent resolution 918/2017/R/IDR ("Water Tariff Method - 2" or "MTI-2"). Based on the tariff method implemented by the Authority, the Area Government Body is required to prepare the Regulatory Scheme for the period of reference, which is then approved by the Authority.

In fact, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in execution of the ARERA 664/2015/R/IDR resolution, prepared the 2016+2019 Regulatory Scheme with resolution no. 19 of 8 August 2016 and then updated it, in execution of the ARERA 918/2017/R/IDR resolution, with resolution no. 39 of 17 July 2018. With this last resolution: (i) the RCappr adjustment component was valued at € 216,948,037; (ii) the Guaranteed Revenue Constraint ("GRC") for the years 2016 was recognised (GRC: € 167,958,694); 2017 (GRC: € 183,072,979), 2018 (GRC: € 197,001,101) and 2019 (GRC: € 206,352,671) as well as the corresponding "tariff multipliers" for the 2018 financial years (∅ 1.247505) and the 2019 financial year (∅ 1.309880); (iii) it was decided to allocate the FoNI quota already envisaged for the year 2017 and not yet used to finance tariff reductions of a social nature; (iv) the additional Water Bonus was established with the valuation of the OPsocial cost component for the years 2018-2019; (v) table no. 2 was updated relating to accruals, amortisation and separate loans for Municipalities of OTA3.

In addition, the 2016+2019 Regulatory Scheme updated with Resolution 39/2018 was prepared on the basis of a plan aimed at the full implementation of the IWS of the Sarnese-Vesuviano District that guarantees, concurrently with economic-financial equilibrium: (a) the social sustainability of the IWS tariff applied to users, (b) the investments necessary for the improvement of the service, and (c) the recovery of accumulated tariff adjustments. For these purposes, the current OTA3 Regulatory Scheme has established the following objectives to be achieved to ensure the full implementation of the IWS: (i) the transfer and increased efficiency of the "Regional Works", and, that is, the water infrastructure falling within OTA 3 still under the management of the Campania Region and listed in the resolution of the Regional Council 243/2016; (ii) re-employment and relocation – always with a view to making the IWS more efficient – the personnel assigned to the Regional Works in accordance with the procedures set forth in the agreements with the Trade Unions on the basis of aforementioned resolution 243/2016 and the relevant Framework Agreement of 3 August 2018 specified above; (iii) the provision of instalment plans for the debts accrued by the Company – essentially due to the inadequacy of the OTA 3 tariff system effectively applied until 2016 – for wholesale supplies disbursed from 2013 onwards to the Campania Region and the concurrent resolution of the complex legal dispute arising from the payment of regional supplies of "wholesale water" and services of "collection and treatment of wastewater".

Tariffs: Biennial update of the tariff arrangements of the integrated water service

Pursuant to ARERA resolution no. 918/2017/R/ldr, with resolution no. 39 of 17 July 2018 the Extraordinary Commissioner of the Sarnese Vesuviano District approved: **i)** update of the "Regulatory Scheme" of the integrated water service of the Campania Region OTA 3 already approved by Commissioner resolution no. 19/2016, **ii)** established the Works Programme, the Tariff Plan and the Financial Statement and the accompanying Methodological report pursuant to art. 13.2, letter c) of ARERA resolution no. 918/2017/R/ldr; furthermore, for the purposes of the obligations of the Body pursuant to art. 13.2, letter c), ARERA resolution no. 918/2017/R/ldr, the Commissioner updated the "operator revenue restriction" of the OTA 3 IWS and the corresponding "tariff multipliers" for the years 2018 and 2019.

With Resolution 39/2018, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority approved the update of the restriction on revenues recognised to the OTA3 IWS manager and the corresponding "tariff multipliers" for the years 2018 and 2019, respectively to: 2016 = 1.090000, 2017 = 1.188100, 2018 = 1.247505, 2019 = 1.309880, thus maintaining the tariff multipliers already determined with commission resolution no. 19/2016 for the years 2016-2019.

Moreover, the Commissioner of the Sarnese Vesuviano Area Authority prudentially “updated the current 'regulatory framework' within the limits of what is strictly necessary, without prejudice to the choices that the Ente Idrico Campano will make when it will determine the conditions for its takeover of the functions that Italian Legislative Decree no. 152/2006 and Regional Law no. 15/2015 assign to it”. The following main decisions were then taken:

- The tariff multipliers already determined with commission resolution no. 19/2016 for the years 2016-2019 to the extent of the maximum admissible limit, equal to 9% for the two-year period 2016-2017 and equal to 5% for the two-year period 2018-2019;
- The projects already approved in the previous works programme for the 2016-2019 four-year period by the commissioner management with resolution no. 19/2016 was updated solely to take into account the investments necessary to ensure the timely implementation of regulatory obligations that occurred in the meantime as a result of ARERA resolutions on technical quality, tariff structure and social water bonus. Therefore, with respect to the proposed projects detailed by the Company with note no. 22159/2018, the approved "Works Programme" – due to the need to guarantee the technical quality objectives recently imposed by ARERA – has been changed from € 122.1 million to € 141.8 million for the four-year period 2016-2019. For the period 2020-2032, in line with what was previously specified the commissioner's management of the Body has deemed it appropriate to maintain the level of investments to be implemented starting from 2020, according to what is already envisaged in the Works Programme approved by commission resolution. no. 19/2016;
- As regards the hypothesis of transfer of the regional works, the update of the deliberated regulatory scheme took into account the impossibility of a complete and timely implementation of the time schedule annexed to the Framework Agreement signed on 3 August 2016 in execution of resolution GR no. 243/2016, due to the failure to define, at present, the request for access to the financial equalisation measures, which was an indispensable prerequisite for covering the greater charges deriving from the planned change in the scope. Therefore, the proposed update process took into account the works and infrastructure already transferred to Gori and has substantially maintained the methods of transferring the plants that are still in the management of the Campania Region, with a delay of twenty-four months. Subsequently, as part of the Operational Agreement signed between Gori, the Campania Region and the EIC, the time schedule for the transfer of the Regional Works was further defined;
- With regard to the rebalancing measures, the update of the approved regulatory scheme took into account the proposal for an industrial agreement formalised in early 2018 by Gori to the Campania Region (currently under examination by the competent regional offices) called "Plan for the complete implementation of the IWS of OTA3" also valid as an update of the rebalancing measures included in the "Regulatory Scheme" approved by commission resolution no. 19/2016. In addition, the Operating Agreement 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 Vesuviano Srl for € 20 million;
- 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 OpexQCa and OpexQTa 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 amounted to OpexQc € 3.2 million for both 2018 and 2019 and OpexQt 2018 equal to € 2.0 million and OpexQt 2019 equal to € 2.2 million;
- Pursuant to the provisions of art. 23-ter of Annex A of Resolution 918/2017/R/IDR, the Opsocial component was quantified at € 2.0 million per year for both 2018 and 2019 to cover charges related to the maintenance of improved benefits over the minimum required by the national regulation (so-called additional water bonus) and at the same time the FoNI tariff component was set to zero;
- As regards the recognition of the additional costs of arrears in the context of the update of the approved regulatory framework, implemented prudentially on the basis of the foregoing concerning the nature and limits of the updates formulated by Commission Management, the value of the already recognised arrears cost has been kept unchanged pursuant to art. 30.3 of Annex A to ARERA Resolution no. 664/2015/R/IDR, with the aforementioned commissioner resolution no. 19/2016, within the following limits and subject to adjustment: year 2016 = 10%; year 2017 = 9%; year 2018 = 8%; year 2019 = 7.1%. The Application for the recognition of the actual cost of arrears for the years 2016 and 2017 and the statement relating to the request for the recognition of the actual cost of arrears for the years 2014 and 2015 prepared by the Manager pursuant to art. 30.3 of Annex A to the resolution of ARERA 643/2013/R/IDR and submitted thereby with note no. 22169 of 18 May 2018 instead provided for the confirmation of the "recognition of a tariff component to cover arrears for the years 2014 and 2015 commensurate at least to a value of UR24 of 10%, unless proceeding directly with the final adjustment assigning the value of the unpaid amounts for 48 months and the recognition of a tariff component to cover default costs for the years 2016 and 2017 commensurate at least to a value of UR24 of 10%, unless proceeding with a final adjustment assigning the value of the unpaid amounts for 48 months;
- The RCappr adjustment component was valued at € 216.9 million;
- The updating of the regulatory framework in question does not include the approval of the new tariff structure drawn up in accordance with the provisions of Resolution 665/2017/R/IDR containing the Integrated Text for Water Services Charges (TICSI). The adoption of the new fee structure, in compliance with the TICSI provisions, took place with resolution no. 40/2018 of 17 July 2018 or with a specific provision separate from the approval of the 2016-2019 Regulatory Scheme update.

Regarding revenues for HI 2020, following Resolution 580/2019/R/IDR of 27 December 2020 the Ente Idrico Campano postponed the application of the 2020 tariff multiplier following the preparation of the tariff by the EIC for the third MTI-3

regulatory period. On 12 March 2020, Resolution ARERA 59/2020/R/com was enacted relating to the "Deferment of the deadlines envisaged by the regulation for environmental and energy services and first quality measures in light of the COVID-19 emergency", which ordered, in light of the health emergency due to COVID-19, the extension "of the deadline (originally set at 30 April 2020) to 30 June 2020, deadline referred to in paragraph 5.3 of Resolution 580/2019/R/IDR by which the area governing body or other competent entity is required to submit, for approval by the Authority, the relevant regulatory scheme containing the integrated water service tariff for the third regulatory period 2020-2023 in compliance with MTI-3". This delay therefore implied a further postponement of the application of the 2020 tariff multiplier to 30/06/2020.

Finally, with Resolution no. 235/2020/R/IDR of 24 June 2020 "Adoption of urgent measures in the Integrated Water Service, in light of the COVID-19 emergency", ARERA set, among other things, the new deadline for preparation of the tariff by the EIC, extending to 31 July 2020 the deadline by which the EIC is required to submit to ARERA the relevant regulatory scheme containing THE IWS tariff for the 3rd regulatory period 2020-2023.

The revenues for H1 2020, amounting to a total of € 101.6 million, were determined in continuity with Commission Resolution no. 39 of 17 July 2018 with which the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority approved the update of the Regulatory Scheme for OTA3 Sarnese Vesuviano pursuant to art. 6 of ARERA 664/2015/R/idr, as amended and supplemented by ARERA 918/17/R/idr of 17 December 2017, and transposing the updates made by ARERA 580/2019/R/IDR (MT3), or proceeding with the monetary adjustment and subsequent update of the value of Capex, FoNI and OpexEnd. The latter also takes into account the Opex Delta as defined in art. 17 of Annex A to ARERA 580/2019/R/IDR.

No account was taken of any requests for recognition of the additional costs related to the adjustment of OpexQT technical quality, Resolution ARERA 917/17/R/idr, nor of the additional costs for measures aimed at facilitating the limitation procedures in case of late payment and selective disconnection of supply where the conditions are met, Opmis art. 18.11, Annex A of ARERA Resolution 580/2019/R/IDR.

These measures, OpexQT and Opmis will be the subject of a specific request to be submitted to the EIC as part of the future tariff preparation for the regulatory period 2020-2023.

Campania – GESESA S.p.A. (OTA I - Calore Irpino)

The Company operates in OTA I 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 2019, the Company 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 I, 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.

Regarding the biennial update of the 2018-2019 tariffs, the Company prepared the 2016 and 2017 summaries and the Intervention Programme for the preparation of the proposed tariff revision with the definition of the GRCs and Thetas for the years 2018-2019, reviewing the investment planning for the years 2018-2019, also taking into account the results of the audit of 16-20 October 2017 contained in ARERA determination no. DSAI/26/2018/IDR of 10 April 2018 concerning the initiation of proceedings for the adoption of sanctions and prescriptive measures concerning the tariff regulation of the Integrated Water Service as described below. Such conduct should reasonably be positively assessed in the determination of any sanctions by the Authority, currently not determinable by the company.

At present, the 2018-2019 tariff proposal is in the process of being approved by the EIC, which in any case, following the examination of the documentation produced, carried out by the competent sector of the Authority, has been deemed consistent by the Director General of E.I.C. with the regulatory framework approved by ARERA for the period 2018-2019.

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 S.p.A. (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 OTA2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. 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.

With regard to the **tariffs**, please note that the collection of tariff data for the determination of 2020 tariffs and those of subsequent years according to Resolution ARERA 580/2019/R/idr of 27 December 2019 is still ongoing. The amount of tariff revenues for the first half of 2020 represents the best possible estimate at the moment and is consistent with the 2020-2024 business plan sent in recent months, pending the preparation of the MTI-3 tariff by the Autorità Idrica Toscana whose deadline has been updated to 31 July 2020. Total revenues of the period, including adjustments to pass-through items, amounted to € 80.2 million (€ 36.1 million in the Group).

Finally, it is noted that on 24 January 2019 the new loan agreement became effective. The new loan was stipulated with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) 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 - Publiacqua S.p.A. (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 Fiorentina - completed its acquisition of an interest in the company.

Total revenues for the year, including adjustments to pass-through items, amounted to € 125.7 million (€ 50.3 million in the Group). Revenues also include the Fo.NI. component for € 14.8 million (Group share € 5.9 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. Among the conditions precedent to the disbursement of the loan, the lending banks have requested ARERA's approval of the new Tariff Plan, including the extension of the concession.

Tuscany - Acquedotto del Fiora S.p.A. (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 waste water treatment. The concession term is 25 years from 1 January 2002, and in 2020 was extended until 2031. Via the vehicle Ombrone S.p.A., in August 2004 Acea completed its acquisition of an interest in the Company's capital.

With reference to **tariffs**, 2020 is the first year of the first two-year period in which the water regulatory cycle 2020-2023 is divided (so-called MTI-3) scope of application of Resolution ARERA 580/2019/R/idr (so-called MTI-3) of 27/12/2019 “Approval of the Water Tariff Method for the third regulatory period MTI-3”, with which the Authority definitively regulated the tariffs for the period 2020-2023. The Company communicated the data to the Area Governing Body, and in view of the changes introduced by MTI-3 and the non-approval by AIT, as at 30 June 2020 it recorded in the accounts the best estimate of revenues from the GRC in consideration of both the information available and the changes introduced by the aforementioned resolution.

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.

With regard to the measures in matters of interest to AdF, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved a first premium tariff revision proposal, setting the GRC and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no.17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Board of Directors of the Tuscan Water Authority then produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/idr of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta and also the development for the future years until the end of the concession (2031).

Total revenues of the period, including adjustments to pass-through items, amounted to € 55.3 million and a share of FoNI equal to € 4.9 million.

On the **financial side**, with regard to the structured bank loan signed on 30 June 2015, during 2019 AdF initiated discussions with lending institutions in order to revise some conditions of the existing loan agreement. These amendments, signed in February 2020, include a reduction in the applied interest rate (1.90%), a time extension of the debt repayment plan that will have a new maturity on 31 December 2029 and an amendment to the hedging strategy that provides for a coverage of the rate equal to 60% of the loan.

Umbria - Umbra Acque S.p.A. (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 30 June 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). On the basis of the determinations of the ARERA, the revenues for the period were valorised, amounting to a total of € 39.3 million (Group share € 15.7 million) inclusive of the adjustment of passing items and include the FoNI component of € 2.5 million (Group share € 1.0 million).

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 scheme containing the tariff for approval 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 bi-annual update of the tariff arrangements 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 schemes 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 scheme.

The following table shows the situation as at H1 2020 of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period and the 2018-2019 two-year tariff update.

Company	Approval status (up to MT12 "2016 - 2019")	Biennial update status (2018 - 2019)
Acea Ato 2	On 27 July 2016, the EGA approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/IDR. <u>The ARERA then approved them in Resolution 674/2016/R/IDR, with some changes compared to the AGB's proposal: quality bonus confirmed.</u>	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.
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.
Gori	On 1 September 2016, the Extraordinary Commissioner of the EGA approved the tariff with Op _{xqc} 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.
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 Board of Directors 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.
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. <u>With resolution 687/2017/R/IDR, on 12 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA has not yet given its approval.
AdF	On 05 October 2016, the AIT approved the tariff with recognition of the Opex _{qc} . <u>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.</u>	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 Board of Directors 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.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{qc} . <u>With resolution 726/2017/R/IDR, on 26 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.</u>	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.
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.
Gesesa	On 29 March 2017 with resolution no. 8 of the Extraordinary Commissioner the OTAAI approved the tariffs 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-Ente Idrico Campano) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.
Nuove Acque	On 22 June 2018, the AIT Board of Directors approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the Opex _{qc} . <u>The ARERA then approved them in Resolution 764/2016/R/IDR dated 15 December 2016.</u>	In its session of 27 July 2018, the AURI Meeting approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with resolution no. 489 of 27 September 2018

Pending completion of the approval process, which is still in progress, the revenues recorded for the aforementioned years were determined on the basis of the tariff schemes previously approved by ARERA or by the respective Area Government Agencies, as detailed above. In this regard, on 5 February 2020 ARERA confirmed this approach, in particular "with regard to

the proposals for the bi-annual update of the tariff arrangements for the years 2018 and 2019 sent by the area governing bodies pursuant to Resolutions 917/2017/IR/IDR and 918/2017/IR/IDR, but not yet affected by specific acts of approval by the Authority, it is clarified that the Authority will complete the investigations aimed at ascertaining the consistency of the relevant technical and tariff data as part of the checks on the specific regulatory schemes proposed for the third regulatory period (2020-2023) in compliance with the water tariff method MTI-3 referred to in Resolution 580/2019/IR/IDR. For the two-year period 2018-2019, the tariff determinations adopted by the competent entity remain valid, which will be assessed by the Authority – as part of the quantification of the adjustment components referred to in article 27 of MTI-3 – when approving the new regulatory scheme”.

With regard to the third regulatory period (2020-2023) and as a consequence of the effects deriving from the health emergency, the procedures for approving the tariff provisions of the Group's water companies are currently ongoing, with the exception of Publicacqua, for which on 16 July 2020 the AIT submitted the new tariff proposal prepared by the operator to ARERA.

Revenues from the Integrated Water System

The table below indicates for each Company in the Water Segment the amount of revenue in the first half of 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.

Please note that the quantification of the GRC (Operator Guaranteed Revenue Constraint) of the managers to which the Water Tariff Method for the third regulatory period (MTI-3) applies represents the best estimate, based on the elements that are currently available, deriving from the interpretation of the new rules and supported by the calculation models made available by ARERA on its website.

These estimates must be confirmed in the tariff proposals to be completed by the Area Authorities by 31 July 2020 and definitively approved by ARERA in the following 90 days. In any case, the degree of overall variability of these estimates, related to the process of completing the tariff proposals and discussing them with the Area Authorities which is still ongoing, is considered reasonably low.

It should also be noted that the increase in the income period of the IWS compared to the previous year is justified, among others, by the recognition of costs actually incurred by operators and therefore substantially certain, in accordance with the principle of “full cost recovery” underlying MTI-3.

Company	Revenue from the IWS (pro quota values in € million)	FONI (pro quota values in € million)
Acea Ato 2	336.2	FNI = 20.3 AMM _{FoNI} = 5.5
Acea Ato 5	41.8	FNI = 1.3 AMM _{FoNI} = 2.1
Gori	99.5	AMM _{FoNI} = 1.6
Acque	36.1	AMM _{FoNI} = 1.9
Publicacqua	50.3	AMM _{FoNI} = 5.9
AdF	55.3	AMM _{FoNI} = 4.9
Gesesa	6.5	FNI = 0.2
Geal	4.1	FNI = 0.2 AMM _{FoNI} = 0.4
Acea Molise	2.4	-
Umbra Acque	15.7	FNI = 0.4 AMM _{FoNI} = 0.9

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 arrangements”.

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 30 June 2020 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	REVENUES		COSTS	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Supply of fresh water	19,280	19,177		
Supply of electricity	16	51		
Public lighting service contract	21,258	21,405		
Public lighting contract interest	3,474	2,014		
Water maintenance service contract	91	94		
Monumental fountain service contract	91	94		
Concession fee	0	0	13,057	13,057
Lease fees	0	0	55	55
Taxes and duties	0	0	1,474	2,347

Reference should be made to note 24.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 2020	30/06/2020
RECEIVABLES	234,898	(30,825)	41,903	245,977
PAYABLES	(201,239)	32,933	(99,819)	(268,125)

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 S.P.A.	3,266	360	2,522	2,624
ATAC S.P.A.	212	77	7,649	553
ROMA MULTISERVIZI S.P.A.	(1)	0	0	0
Total	3,477	437	10,171	3,176

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.

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 30 June 2020.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	45	21	(18)	29

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 30 June 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	30.06.2020	Of which with related parties	Impact	31.12.2019	Of which with related parties	Impact
Financial assets	43,509	24,409	56.10%	47,202	26,144	55.40%
Trade receivables	1,145,657	124,134	10.80%	1,035,462	99,798	9.60%
Current Financial Assets	421,987	144,550	34.30%	299,212	121,968	40.80%
Trade payables	1,530,733	103,275	6.70%	1,600,263	111,319	7.00%
Financial payables	318,833	155,797	48.90%	674,364	79,616	11.80%

Impact on the Income Statement

€ thousand	30.06.2020	Of which with related parties	Impact	30.06.2019	Of which with related parties	Impact
Consolidated net revenues	1,621,969	60,931	3.8%	1,553,113	63,787	4.1%
Consolidated operating costs	1,069,690	28,103	2.6%	1,070,051	33,220	3.1%
Total Financial (costs)/income	(43,046)	9,515	(22.1%)	(42,745)	7,655	(17.9%)

Impact on the Cash Flow Statement

	30.06.2020	Of which with related parties	Impact	30.06.2019	Of which with related parties	Impact
Increase in receivables included in the working capital	(100,239)	(24,336)	24.3%	(112,063)	31,111	(27.8%)
Increase/decrease in payables included in the working capital	(94,934)	(8,043)	8.5%	(63,053)	(7,928)	12.6%
Collections/payments deriving from other financial investments	(115,452)	(20,848)	18.1%	(130,773)	23,670	(18.1%)
Collected dividends	188	188	100.0%	10,950	10,950	100.0%
Decrease/increase in other short-term borrowings	42,333	76,181	180.0%	8,466	79,167	935.2%
Dividends paid	(81,848)	(81,848)	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 lodged with the Supreme Court of Cassation by the Revenue Agency against the aforementioned ruling 419/04/14: SAO (now Acea Ambiente) filed its appearance with its defence statement and simultaneous conditional cross-appeal notified 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 S.p.A., 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. Srl (today Acea Ambiente Srl)

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, an 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 regard to 2011 and 2012, the Provincial Tax Commission voided the notices of assessment and the Company is still waiting for a second-degree hearing to be scheduled. For the year 2013, the CTR 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 Srl, 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 and 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 no 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 ascertained derive from the application of art. 5 and 25 of Italian Legislative Decree no. 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 HI 2020.

Customs verification of Umbria Energy S.p.A.

On 15 January 2016, the Perugia Customs Office notified a payment notice to Umbria Energy in relation to a report on findings which reported the failure to pay excise duties and surcharges on electricity for the period 2010 - 2013 for a total amount of € 860 thousand.

Against this measure, the Company is preparing an appeal before the relevant Tax Commission to obtain acknowledgement of its correct conduct. On 4 October 2017, the Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld in terms of the application of the sanction 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 Tax Commission, 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.

An attempt at conciliation with the Customs Agency is also under way and has not yet been concluded.

It should also be noted that on 21 June 2019, the Perugia Customs Agency launched a tax audit on the correct payment of excise duties on the supply of natural gas. On 8 January 2020, the Office served a statement of findings relating to the years 2014 to 2018, contesting omitted payments of € 265 thousand.

Following the Company's submission of its observations regarding the assessment report, the Customs Agency decided to correct the amount ascertained, which was restated in a subsequent report with the amount of € 57 thousand as tax and € 83 thousand as compensation for arrears, interest and penalties for a total of € 140 thousand.

In July 2020, the Company partially complied with the report of the Customs Agency in the amount of € 34 thousand, of which € 17 thousand as tax, and € 17 thousand as compensation, interest and penalties, and proceeded to lodge an appeal with the competent tax commission both to lower the amount assessed and to challenge the methods of calculating the penalties applied.

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 the 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.

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 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 S.p.A. to the Court of Appeal of Rome (docket 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 - Contractual termination Management Agreement

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 OTA 5 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.

For more details on the contents of the proceedings mentioned, see the paragraph entitled "Information on concession arrangements".

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.

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. As of today, a solution is being studied that foresees the possibility for the Company to acquire the assets of the ASI Consortium, specifically the water network, upon payment of

consideration that will be quantified at the outcome of an estimate calculated by mutually trusted parties or through compensation of the payable exceeding the differential between two other solutions.

Such a resolution would increase the number of user accounts served by the IWS operator, with consequent positive impacts also on the tariff, to the benefit of all OTAA 5 users.

It is clear that such an operation having inevitable repercussions on the water tariff – both in terms of costs (the purchase of the water network by Acea Ato 5 should be remunerated in the IWS tariff) and benefits (for the reasons highlighted above) – requires the prior consent of OTAA 5.

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, which took place as of 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 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.

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 Appeals rejected the request for suspension, postponing the specification of the conclusions first to 16 July 2020, then to 14 January 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, .

Acea SpA - Trifoglio Srl

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. In the meantime, 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 1 October 2020.

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 of the pay differences accrued between 2010 and 2014 proposed by the workers themselves is pending before the Court of Appeal of Rome, and during the last hearing, held on 25 June 2018, the Court of Appeal deemed it appropriate to suspend it pending the rulings of the Court of Cassation on the *an debeatur* of the claim (see above), which took place in July 2019 and as a result of which the case has been resumed and is currently pending with a hearing in March 2020.

Acea SpA and areti S.p.A. – MP 31 Srl (formerly ARMOSIA MP Srl)

This is a challenge to the injunction issued by the Court of Rome - General Docket 58515/14 against areti for the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 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 S.p.A. - CO.LA.RI

With a writ of summons served on 23 June 2017, Co.La.Ri. Consortium and E. Giovi Srl - manager of the landfill at Malagrotta (RM) and executor respectively - summoned Acea and Acea Ato 2 in order to obtain from the defendants the payment of the portion of the tariff for accessing the landfill to be allocated to hedge the thirty-year management costs for same - established by Legislative Decree 36/2003 - assertively due for the conferment of waste during the period of contractual validity 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 Authority 2 Central Lazio - Rome. As a result of this hearing, the judge granted the terms under 183 of the 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 conclusions on 27 October 2020.

Acea Ato 2 S.p.A. - 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. Currently we are awaiting the scheduling of the hearing.

Acea Ato 2 S.p.A. and Acea Ato 5 S.p.A. - 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 9 September 2020. A similar appeal was filed by Acea Ato 5 S.p.A. and, in this case as well the hearing was postponed to 9 September 2020 due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

Acea Ato 2 S.p.A. – Parco dell'Aniene Scarl

In June 2019 the company Parco dell'Aniene Scarl 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. Although it is premature, at the moment it can be said that the claim appears to be exaggerated and probably even of doubtful foundation.

Acea Ato 2 S.p.A. - 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 the company 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 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.

Appeal filed by the Municipality of Rieti

With regard to this appeal, served on 16 September 2019, at the hearing on 4 March, 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.

areti S.p.A. - GALA S.p.A.

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 plc

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.

The injunction issued in favour of GSE S.p.A.

GSE S.p.A., 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 S.p.A. 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 S.p.A. - 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. The hearing to examine the expert's report is set for 24 September 2020.

Appeal for Cassation against sentence no. 5619/2017 of the Council of State on System Charges.

It should also be noted that with sentence no. 5619/2017, the Council of State pronounced itself on general system charges, general ARERA regulation and traders' obligations; this sentence was challenged by areti with recourse to the United Sections of the Court of Cassation in January 2018, pursuant to articles 111, paragraph 8 of the Italian Constitution, 362 and 382 of the Italian Code of Civil Procedure and 110 of the Italian Civil Code, for overriding the jurisdictional function. By Order of 29 November 2019, the Supreme Court declared the action brought by areti to be inadmissible due to lack of capacity to sue.

areti S.p.A. – 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 course of the proceedings, precisely in December 2019, MNP amended its claim for damages, quantifying them at over € 34.0 million. The preliminary hearing is set for 7 October 2020.

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.

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 set for 26 March 2020 and then postponed to 4 November 2020.

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.

Gori S.p.A. – 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 for breach of contract due to the absence of a contract, which is necessary in relations with a public administration like the Consortium, would appear unfounded. 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 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. Ente Idrico Campano) 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 S.p.A. Update of the 2016÷2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

The Municipalities in question challenged the resolution of the Extraordinary Commissioner of the Sarnese Vesuviano 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 S.p.A. and areti S.p.A. 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 S.p.A. and areti S.p.A. 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.

Annexes

- A. List of consolidated companies
- B. Reconciliation of shareholders' equity and statutory profit – consolidated
- C. Remuneration of Directors, Statutory Auditors and Key Managers
- D. Public disbursement information pursuant to art. 1, paragraph 125, law 124/2017
- E. Segment information: statement of financial position and income statement

A. List of consolidated companies

Companies included in the scope of consolidation and consolidated on a line-by-line basis

Company name	Registered Office	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 - Rome	3,900,000	93.06%	100.00%	100%
Biocologia S.r.l.	Via Simone Martini 57 - Siena	2,382,428	100.00%	100.00%	100%
Iseco S.p.A.	Loc. Surpian 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%
Demp S.r.l.	Via Giotto 13 - Beinasco (TO)	119,015	90.00%	100.00%	100%
Acque Industriali S.r.l.	Via Bellatalla 1 - Ospedaletto (Pisa)	100,000	73.05%	100.00%	100%
Ferrocarr 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%
Multigreen S.r.l.	Loc. Cà Maiano 78 - Fabriano (AN)	100,000	60.00%	100.00%	100%
Commercial and Trading Segment					
Acea Energia S.p.A.	Piazzale Ostiense 2 - Rome	10,000,000	100.00%	100.00%	100%
Acea8centro S.r.l.	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	100%
Cesap Vendita Gas S.r.l.	Via del Teatro 9 - Basta Umbra (PG)	10,000	100.00%	100.00%	100%
Umbria Energy S.p.A.	Via B. Capponi 100 - Terni	1,000,000	50.00%	100.00%	100%
Acea Energy Management S.r.l.	Piazzale Ostiense 2 - Rome	50,000	100.00%	100.00%	100%
Parco della Mistica S.r.l.	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	100%
Overseas					
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	8,850,604	99.99%	100.00%	100%
Acea Perú S.A.C.	Cal. Amador Merino Reyna 307 MIRAFLORES - LIMA	1,000	100.00%	100.00%	100%
Consorcio ACEA-ACEA Dominicana	Av. Las Americas - Esq. Mazoneria - Ens. Ozama	67,253	100.00%	100.00%	100%
Consorcio Servicios Sur	Calle Amador Merino Reyna - San Isidro	233,566	51.00%	100.00%	100%
Consorcio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Peru	17,371,834	44.00%	44.00%	100%
Water Segment					
ACEA Ato2 S.p.A.	Piazzale Ostiense 2 - Rome	362,834,320	96.46%	100.00%	100%
ACEA Ato5 S.p.A.	Viale Roma snc - Frosinone	10,330,000	98.45%	100.00%	100%
Acque Blu Arno Basso S.p.A.	Piazzale Ostiense 2 - Rome	8,000,000	76.67%	100.00%	100%
Acque Blu Fiorentina S.p.A.	Piazzale Ostiense 2 - Rome	15,153,400	75.01%	100.00%	100%
Crea Gestioni S.r.l.	Piazzale Ostiense 2 - Rome	100,000	100.00%	100.00%	100%
CREA S.p.A. (in liquidation)	Piazzale Ostiense 2 - Rome	2,678,958	100.00%	100.00%	100%
Acquedotto del Fiora S.p.A.	Via Mameli 10 Grosseto	1,730,520	40.00%	40.00%	100%
Gesesa S.p.A.	Corso Garibaldi 8 - Benevento	534,991	57.93%	100.00%	100%
GORI S.p.A.	Via Trentola 211 - Ercolano (NA)	44,999,971	37.05%	100.00%	100%
Lunigiana S.p.A. (in liquidation)	Via Nazionale 173/175 - Massa Carrara	750,000	95.79%	100.00%	100%
Ombrone S.p.A.	Piazzale Ostiense 2 - Rome	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 Vesuviano S.r.l.	Piazzale Ostiense 2 - Rome	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%
Energy Infrastructure Segment					
areti S.p.A.	Piazzale Ostiense 2 - Rome	345,000,000	100.00%	100.00%	100%
Acea Produzione S.p.A.	Piazzale Ostiense 2 - Rome	5,000,000	100.00%	100.00%	100%
Acea Liquidation and Litigation S.r.l.	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	100%
Ecogena S.r.l.	Piazzale Ostiense 2 - Rome	1,669,457	100.00%	100.00%	100%
KT 4 S.r.l.	Viale SS Pietro e Paolo 50 - Rome	110,000	100.00%	100.00%	100%
Brindisi Solar S.r.l.	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	100%
Solaria Real Estate srl	Via Paolo da Cannobio 33 - Milan	176,085	65.00%	100.00%	100%
Compagnia Solare 2	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	100%
Compagnia Solare 3	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	100%
SPES S.r.l.	Via Paolo da Cannobio 33 - Milan	457,426	65.00%	100.00%	100%
Acquaviva S.r.l.	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	100%
Luna Energia S.r.l.	Strada degli Alberi 7 - Galliera Veneta (PD)	10,000	100.00%	100.00%	100%
Sisne Energia srl	Strada degli Alberi 7 - Galliera Veneta (PD)	10,000	100.00%	100.00%	100%
Acea Solar S.r.l.	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	100%
Acea Sun Capital S.r.l.	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	100%
Trinovolt	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%
Urbe Cerg S.r.l.	Via Cardinale Agostino Ciasca 9 - Bari	10,000	100.00%	100.00%	100%
Urbe Solar S.r.l.	Via Cardinale Agostino Ciasca 9 - Bari	10,000	100.00%	100.00%	100%
Bersolar S.r.l.	Piazzale Ostiense 2 - 00154 Rome	100,000	100.00%	100.00%	100%
Fergas Solar S.r.l.	Via Pietro Piffetti 19 - 10143 Turin	10,000	100.00%	100.00%	100%
Euroline 3 S.r.l.	Piazzale Ostiense 2 - 00154 Rome	10,000	100.00%	100.00%	100%
IFV Energy	VIA COLLALTO SABINO 40 ROME 00100 RM	10,000	100.00%	100.00%	100%
PF Power of Future	VIA COLLALTO SABINO 40 ROME 00199 RM	10,000	100.00%	100.00%	100%

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11 over EBITDA

Company name	Registered Office	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation
Environment Segment					
Ecomed S.r.l.	Piazzale Ostiense 2 - Rome	10,000	50.00%	50.00%	Shareholders' Equity
Water Segment					
Acque Sp.A.	Via Garigliano 1 - Empoli	9,953,116	45.00%	45.00%	Shareholders' Equity
Acque Servizi S.r.l.	Via Bellatalla 1 - Ospedaletto (Pisa)	400,000	100.00%	45.00%	Shareholders' Equity
Geal Sp.A.	Viale Luporini 1348 - Lucca	1,450,000	48.00%	48.00%	Shareholders' Equity
Intesa Aretina S.c.a.r.l.	Via B.Crespi 57 - Milan	18,112,000	35.00%	35.00%	Shareholders' Equity
Nuove Acque Sp.A.	Patrignone Loc. Cuculo - Arezzo	34,450,389	46.16%	16.16%	Shareholders' Equity
Pubblacqua Sp.A.	Via Villamagna - Florence	150,280,057	40.00%	40.00%	Shareholders' Equity
Umbra Acque Sp.A.	Via G. Benucci 162 - Ponte San Giovanni (PG)	15,549,889	40.00%	40.00%	Shareholders' Equity
Engineering and Services Segment					
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis,49 - Florence	100,000	42.52%	42.52%	Shareholders' Equity
Visano S.c.a.r.l.	Via Lamarmora 230 -25124 Brescia	25,000	40.00%	40.00%	Shareholders' Equity

The following companies are also consolidated using the equity method:

Consolidated with the equity method under EBITDA

Company name	Registered Office	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation
Environment Segment					
Amea Sp.A.	Via San Francesco d'Assisi 15C - Palano (FR)	1,689,000	33.00%	33.00%	Shareholders' Equity
Coema	Piazzale Ostiense 2 - Rome	10,000	33.50%	33.50%	Shareholders' Equity
Overseas					
Aguaazul Bogotá S.A.	Calle 82 no. 19'-34 - Bogota - Colombia	1,162,872	51.00%	51.00%	Shareholders' Equity
Water Segment					
Azga Nord Sp.A. (in liquidation)	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217,500	49.00%	49.00%	Shareholders' Equity
Sogea Sp.A.	Via Mercatani 8 - Rieti	260,000	49.00%	49.00%	Shareholders' Equity
Le Soluzioni Scrl	Via Garigliano 1 - Empoli	250,678	34.32%	24.62%	Shareholders' Equity
Umbria Distribuzione Gas Sp.A.	Via Bruno Capponi 100 - Terni	2,120,000	15.00%	15.00%	Shareholders' Equity
Servizi idrici Integrati SpA	Via 1 Maggio 65 - Terni	19,536,000	25.00%	24.80%	Shareholders' Equity
Energy Infrastructure Segment					
Cirelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio 11 - Milan	90,000	32.18%	32.18%	Shareholders' Equity
Energia Sp.A.	Via Barberini 28 - 00187 Rome	239,520	49.90%	49.90%	Shareholders' Equity
Sienergia Sp.A. (in liquidation)	Via Fratelli Cairoli 24 - Perugia	132,000	42.08%	42.08%	Shareholders' Equity
Other					
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine 40 - Rome	10,000	33.00%	33.00%	Shareholders' Equity

B. Reconciliation of shareholders' equity and statutory profit – consolidated

€ thousand	Profit for the year		Shareholders' equity	
	2,020	2,019	30.06.2020	31.12.2019
Balances in statutory financial statements (Acea)	181,924	208,488	1,649,089	1,628,812
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	(48,266)	57,460	(202,421)	(98,721)
Consolidation Goodwill	(2,844)	(4,726)	241,799	203,223
Accounted for using the equity method	16,228	36,227	171,501	145,519
Other changes	(3,290)	(13,764)	(25,809)	(24,061)
Balances in consolidated financial statements	143,752	283,686	1,834,159	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	20	2	51	88	161
Board of Statutory Auditors	185	0	0	0	185

Key Managers

Fees due to executives with strategic responsibilities for the first half of 2020 amount to:

- ✚ Salaries and bonuses € 1,492 thousand,
- ✚ Non-monetary benefits € 131 thousand.

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

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 H1 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 30 June 2020 is equal to € 4,256 thousand (€ 5,101 thousand at 31 December 2019) while the non-subsidised bank loan at 30 June 2020 is equal to € 940 thousand (€ 940 thousand also at 31 December 2019) as no repayment of the principal amount is envisaged in the first few years.

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 S.p.A. 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 Liquidation and Liquidation, areti, Acea Sun Capital, Acea Solar and the new photovoltaic companies acquired,
- ✦ 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,
- ✦ 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

	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Distribution	Public Lighting	Engineering and Services	Corporate	Group total	Total consolidation adjustments	Consolidated Total
Investments	51,893	42,529	7,020	401,292	18,832	265,662	3,274	1,787	21,699	813,989	(21,212)	792,776
Tangible Fixed Assets	252,451	(3,440)	36,989	96,814	261,420	1,859,850	6,999	3,856	97,436	2,612,376	(461)	2,611,915
Intangible Fixed Assets	41,725	174,120	11,138	2,982,550	28,607	104,093	(767)	1,257	40,675	3,383,397	(430,256)	2,953,141
Non-current financial assets measured at equity	0	0	0	0	0	0	0	0	0	0		268,039
Financial assets	0	0	0	0	0	0	0	0	0	0		2,772
Other non-current trade assets	0	0	0	0	0	0	0	0	0	0		618,359
Other non-current financial assets	0	0	0	0	0	0	0	0	0	0		47,202
Inventories	5,935	300	1,336	16,615	423	29,271	0	3,454	(0)	57,335	0	57,335
Trade receivables from third parties	97,133	214,014	6,263	531,447	27,455	175,529	1,122	42,435	582	1,095,980	(160,899)	935,082
Trade receivables from Parent Company	158	13,682	0	76,339	3,045	4,285	(0)	40	0	97,549	(10,805)	86,745
Receivables from subsidiaries and associates	4	1,371	27	7,199	4	0	111	7,219	97,246	113,181	(99,545)	13,636
Other current trade assets	0	0	0	0	0	0	0	0	0	0		225,285
Other current financial assets	0	0	0	0	0	0	0	0	0	0		299,212
Cash and cash equivalents	0	0	0	0	0	0	0	0	0	0		835,693
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets												8,954,416

Amounts in € thousand

Balance Sheet Liabilities 2019

	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	Public Lighting	Engineering and Services	Corporate	Group Total	Total consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	72,062	387,473	3,901	709,858	16,508	319,482	9,160	10,145	107,702	1,636,291	(163,489)	1,472,802
Trade payables to Parent Company	2,059	21,887	775	162,657	2,487	26,298	424	1,070	28	217,686	(96,025)	121,661
Trade payables to subsidiaries and associates	13	2,330	257	5,202	0	0	6,459	128	3,134	17,524	(11,724)	5,800
Other current trade liabilities	0	0	0	0	0	0	0	0	0	0		374,058
Other current financial liabilities	0	0	0	0	0	0	0	0	0	0		674,364
Employee severance indemnity and other defined benefit plans	7,955	4,886	317	31,285	2,008	32,015	0	2,824	23,323	104,613	0	104,613
Other provisions	21,220	16,287	5	50,336	20,427	22,975	0	2,506	(6,094)	127,662	23,757	151,418
Provision for deferred taxes	0	0	0	0	0	0	0	0	0	0	0	0
Other non-current trade liabilities	0	0	0	0	0	0	0	0	0	0	0	391,100
Other non-current financial liabilities	0	0	0	0	0	0	0	0	0	0	0	3,551,889
Liabilities directly associated with assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity												2,106,710
Total liabilities and shareholders' equity												8,954,416

Amounts in € thousand

Income Statement 2019

	Environment	Commercial and Trading	Overseas	Water	Electricity generation	Distribution	Public Lighting	Engineering	Corporate	Group total	Consolidation adjustments	Group total
Revenues	98,309	788,376	23,029	505,469	43,639	270,705	23,102	33,260	57,724	1,843,614	(269,598)	1,574,016
Revenues	98,311	788,376	22,451	487,547	43,639	270,705	23,102	32,323	57,724	1,824,178	(269,598)	1,554,580
Personnel costs	10,664	12,709	5,255	47,271	2,688	13,176	2,767	14,004	30,112	138,646	(14,352)	124,295
Purchase of electricity	2,394	705,314	-	24,533	6,637	56,870	2,248	19	565	798,581	(119,511)	679,070
Sundry costs of materials and overheads	51,748	39,146	9,864	189,627	8,974	32,425	18,384	12,765	40,860	403,793	(135,735)	268,058
Costs	64,806	757,168	15,119	261,431	18,299	102,471	23,399	26,789	71,537	1,341,020	(269,598)	1,071,422
Income/(Costs) from equity investments of a non-financial nature	(2)	-	578	17,922	-	-	-	937	-	19,435	-	19,435
EBITDA	33,502	31,208	7,909	244,039	25,340	168,234	(297)	6,471	(13,813)	502,594	-	502,594
Depreciation/amortisation	14,442	27,399	5,388	116,718	9,511	58,965	999	774	8,175	242,371	-	242,371
Operating profit/loss	19,060	3,808	2,521	127,321	15,829	109,270	(1,296)	5,697	(21,988)	260,223	-	260,223
Financial (costs)/income												(42,745)
(Costs)/Income from Equity Investments			2,731	842					(7)	3,565		3,565
Profit/(loss) before tax												221,043
Taxes												66,379
Net profit/(loss)												154,664

Amounts in € thousand

Balance Sheet Assets 2020

	Environment Business	Energy Business	Overseas Business	Water Business	Generation	Distribution	Acea Illuminazione Pubblica	Energy Infrastructure Business	Total	Engineering Business	Corporate Business	Consolidation adjustments	Consolidated Total
Investments	9,454	17,363	907	229,195	7,675	131,756	1,892		141,323	2,744	9,624		410,611
Sector assets													
Total tangible fixed assets	254,221	(3,470)	34,668	99,521	259,637	1,926,523	8,140	-	2,194,299	13,067	96,499	(461)	2,688,345
Total intangible fixed assets	20,630	177,485	31,083	3,086,386	42,595	102,059	-	-	144,654	16,022	44,851	(393,006)	3,128,106
Subsidiaries													294,022
Financial Assets in Shares													3,231
Total Non-financial Assets													650,544
Total Financial Assets													43,509
Inventories	6,526	301	1,564	17,385	476	31,826	-	-	32,302	9,076	(0)	-	67,154
Receivables from customers	112,484	211,676	9,581	630,682	35,584	175,637	795	(426)	211,591	52,338	31	(183,493)	1,044,889
Receivables from Parent Company	414	13,941	-	74,872	2,492	4,246	57	-	6,796	50	(57)	(11,465)	84,549
Receivables from Associates	93	757	2	8,068	-	-	111	-	111	7,126	101,320	(101,260)	16,218
Other Receivables and Current Assets													274,490
Total Financial Assets													421,987
Total Cash and cash equivalents													465,156
Non-current assets held for sale													-
TOTAL ASSETS													9,182,200,144

Amounts in € thousand

Balance Sheet Liabilities 2020

	Environment Business	Energy Business	Overseas Business	Water Business	Generation	Distribution	Acea Illuminazione Pubblica	Energy Infrastructure Business	Total	Engineering Business	Corporate Business	Consolidation adjustments	Consolidated Total
Segment liabilities													
Trade payables to third parties	68,625	379,922	4,149	726,644	13,427	285,118	8,329	(426)	306,448	13,179	99,894	(186,024)	1,412,837
Trade payables to Parent Company	2,739	20,305	814	154,832	1,878	27,715	19	-	29,612	1,366	-	(97,328)	112,339
Trade payables to subsidiaries and associates	-	1,710	133	5,792	-	-	6,531	-	6,531	130	4,041	(12,780)	5,557
Other current trade liabilities													377,601
Other current financial liabilities													318,833
Employee severance indemnity and other defined benefit plans	9,588	4,973	344	31,027	2,093	31,258	-	-	33,352	4,411	22,533	-	106,227
Other provisions	23,724	23,338	293	72,127	24,033	45,498	-	-	69,531	4,956	(8,078)	23,757	209,648
Provision for deferred taxes													-
Other non-current trade liabilities													393,466
Other non-current financial liabilities													4,122,593
Liabilities directly associated with assets held for sale													-
Shareholders' Equity													2,123,100
Total liabilities and shareholders' equity													9,182,200

amounts in € thousand

Income Statement 2020

	Environment Business	Energy Business	Overseas Business	Water Business	Generation	Distribution	Acea Illuminazione Pubblica	Energy Infrastructure Business	Total	Engineering Business	Corporate Business	Consolidation adjustments	Consolidated Total
Revenues	98,705	737,596	33,802	579,472	41,418	281,712	25,136	(387)	347,879	34,338	58,870	(268,694)	1,621,969
Personnel costs	13,164	12,471	7,652	57,236	2,700	11,466	2,920	-	17,086	16,060	31,920	(15,260)	140,329
Purchase of electricity	2,291	662,423	-	30,010	4,819	56,127	2,298	-	63,243	25	495	(116,675)	641,812
Sundry costs of materials and overheads	57,031	32,901	12,307	201,840	9,880	32,861	19,195	(387)	61,548	13,906	44,609	(136,594)	287,549
Costs	72,486	707,795	19,958	289,087	17,398	100,454	24,413	(387)	141,878	29,991	77,024	(268,530)	1,069,690
Valuation of companies using the equity method	(0)	-	-	16,752	50	-	-	-	50	1,130	-	(1,704)	16,228
EBITDA	(26,219)	(29,801)	(13,844)	(307,138)	(24,070)	(181,258)	(723)	-	(206,051)	(5,476)	18,154	1,704	(568,672)
Depreciation/amortisation	16,989	28,698	6,622	143,375	11,743	70,047	4,325	-	86,116	1,106	8,320	-	291,225
Operating profit/loss	9,230	1,104	7,222	163,763	12,326	111,211	(3,602)	-	119,935	4,370	(26,474)	(1,704)	277,446
Financial (costs)/income	(4,927)	3,371	17										(43,046)
(Costs)/Income from Equity Investments	-	-	-	-	2,652	-	-	-	2,652	1,901	(74)	(1,901)	2,578
Profit/(loss) before tax													236,979
Taxes													72,324
Net profit/(loss)													164,654

Amounts in € thousand