Interim Report on Operations as at 30 September 2020

Report on Operations

Consolidated Financial Statements

Corporate bodies

Board of Directors[1]

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 Auditors

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

Financial Reporting Officer[2]

Fabio Paris

1 Appointed by the Shareholders' Meeting on 29 May 2020

2 Appointed by the Board of Directors on 29 May 2020

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 Infrastructures, 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. The Segment also has the objective of developing and researching innovations and start-ups to start experimental projects in the technological field.

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.

WATER

- 96% ACEA ATO 2
- 98% ACEA ATO 5
- 99% SARNESE VESUVIANO (37% GORI)
- 100% ACEA MOLISE
- 99% UMBRIA DUE SERVIZI IDRICI (25% SERVIZI IDRICI INTEGRATI)
- 99% OMBRONE (40% ACQUED. DEL FIORA)
- 77% ACQUE BLU ARNO BASSO (45% ACQUE)
- 75% ACQUE BLU FIORENTINE (40% PUBLIACQUA)
- 48% G.E.A.L.
- 40% UMBRA ACQUE
- 35% INTESA ARETINA (46% NUOVE ACQUE)
- 58% GESESA
- 51% PESCARA DISTRIBUZIONE GAS
- 51% ALTRO SANGRO DISTRIBUZIONE GAS

ENERGY COMMERCIAL AND TRADING

- 100% ACEA ENERGIA (50% UMBRIA ENERGY)
- 100% ACEA8CENTO
- 100% ACEA ENERGY MANAGEMENT
- 100% ACEA INNOVATION (100% EDI)

ENERGY INFRASTRUCTURES

- 100% ARETI
- 100% ACEA PRODUZIONE (100% ECOGENA
  100% ACEA SOLAR
  100% FERGAS
  100% ACEA SUN CAPITAL
  100% KT4
  65% ACQUAVIVA
  65% BRINDISI SOLAR
  65% COMPAGNIA SOLARE 2
  65% COMPAGNIA SOLARE 3
  65% SOLARIA REAL ESTATE
  65% SPES
  100% LUNA ENERGIA
  100% SISINE ENERGIA
  100% TRINOVOLT
  100% MARCHE SOLAR
  100% URBE CERIG
  100% URBE SOLAR
  100% EUROLINE 3
  100% IFV ENERGY
  100% PF POVER OF FUTURE
  100% BERSOLAR
  49% ENERGIA
  49% BELARIA)

ENGINEERING AND SERVICES

- 100% ACEA ELABORI (70% SIMAM)
- 100% TECHNOLOGIES WATER SERVICES
- 44% INGEGNERIE TOSCANE

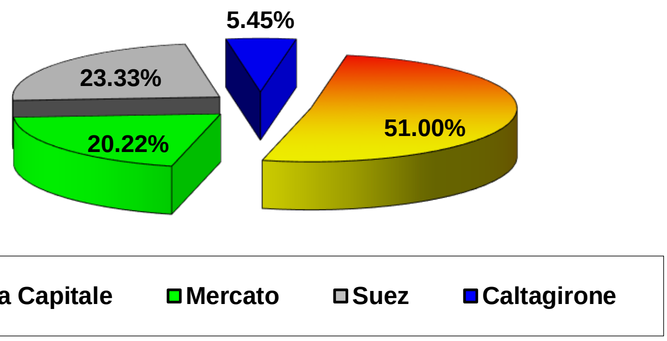
OVERSEAS

- 100% ACEA INTERNATIONAL (100% ACEA DOMINICANA
  100% ACEA PERÙ
  61% AGUAS DE SAN PEDRO
  51% CONSORCIO SERVICIO SUR
  44% CONSORCIO AGUA AZUL)
- 51% AGUAZUL BOGOTÀ

ENVIRONMENT

- 100% ACEA AMBIENTE (100% BIOECOLOGIA
  90% DEMAP
  80% ISECO
  60% BERG
  60% CAVALLARI
  60% MULTIGREEN
  60% FERROCART)
- 88% AQUASER
- 51% ACQUE INDUSTRIALI
- 50% ECOMED

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



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

Summary of Results

Income Statement Data (€ million)	30/09/2020	30/09/2019	Change	% Change
Consolidated revenues	2,471.6	2,346.2	125.4	5.3%
Consolidated operating costs	1,634.6	1,605.8	28.8	1.8%
Net income/(Costs) commodity risk management	0.2	0.3	(0.1)	(29.0%)
Income/(Costs) from equity investments of a non-financial nature	21.5	28.7	(7.2)	(25.2%)
EBITDA	**858.7**	**769.4**	**89.2**	**11.6%**
EBIT	**426.0**	**402.5**	**23.5**	**5.8%**
Net result	**251.1**	**238.3**	**12.8**	**5.4%**
Profit/(loss) attributable to minority interests	**32.4**	**19.4**	**13.0**	**66.9%**
Net Group result	**218.7**	**218.9**	**(0.2)**	**(0.1%)**

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
Environment	**39.5**	**40.6**	**(1.1)**	**(2.7%)**
Commercial & Trading	**50.0**	**47.2**	**2.8**	**6.0%**
Overseas	**19.8**	**12.9**	**6.9**	**53.1%**
Water	**458.6**	**370.7**	**88.0**	**23.7%**
Energy Infrastructure	**305.9**	**290.6**	**15.3**	**5.3%**
Engineering and Services	**9.9**	**11.0**	**(1.1)**	**(9.7%)**
Corporate	**(25.0)**	**(3.5)**	**(21.6)**	**Insig.**
Total EBITDA	**858.7**	**769.4**	**89.2**	**11.6%**

Consolidated balance sheet data (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Net Invested Capital	5,755.9	5,169.5	586.3	11.3%	4,936.1	819.8	16.6%
Net Debt	(3,535.4)	(3,062.8)	(472.6)	15.4%	(2,960.3)	(575.1)	19.4%
Consolidated Shareholders' Equity	(2,220.5)	(2,106.7)	(113.8)	5.4%	(1,975.8)	(244.7)	12.4%

Investments (€ million)	30/09/2020	30/09/2019	Change	% Change
Environment	**18.2**	**29.4**	**(11.1)**	**(37.9%)**
Commercial & Trading	**27.0**	**31.8**	**(4.8)**	**(15.1%)**
Overseas	**1.6**	**5.3**	**(3.7)**	**(69.4%)**
Water	**338.4**	**253.5**	**84.8**	**33.5%**
Energy Infrastructure	**222.8**	**196.5**	**26.3**	**13.4%**
Engineering and Services	**3.9**	**1.2**	**2.7**	**insig.**
Corporate	**13.4**	**11.3**	**2.0**	**18.0%**
TOTAL	**625.3**	**529.0**	**96.3**	**18.2%**

Net Debt (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Environment	284.2	256.5	27.7	10.8%	242.2	42.0	17.4%
Commercial & Trading	(63.2)	(53.2)	(10.0)	18.7%	(18.1)	(45.1)	insig.
Overseas	(9.9)	(4.5)	(5.4)	119.0%	5.4	(15.3)	n.s.
Water	1,385.4	1,286.5	99.0	7.7%	1,174.4	211.0	18.0%
Energy Infrastructure	1,595.1	1,320.5	274.6	20.8%	1,302.8	292.3	22.4%
Engineering and Services	51.8	6.7	45.0	insig.	16.9	34.8	insig.
Corporate	292.0	250.4	41.6	16.6%	236.6	55.4	23.4%
TOTAL	3,535.3	3,062.8	472.5	15.4%	2,960.3	575.1	19.4%

Debt as at 30 September 2020 (i) is shown gross of € 15.7 million of receivables relating to IFRIC 12 of Acea SpA; (ii) contains € 132.9 million of payables for dividends approved and not yet distributed to Roma Capitale; (iii) 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 the dividends to be paid to Roma Capitale), cash and cash equivalents;
3. *The 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. *The 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)	30/09/2020	30/09/2019	Change	% Change
Revenue from sales and services	2,389.4	2,246.3	143.1	6.4%
Other revenue and proceeds	82.2	99.9	(17.7)	(17.7%)
Costs of materials and overheads	1,427.6	1,418.4	9.2	0.7%
Personnel costs	207.0	187.4	19.6	10.5%
Net income/(costs) from commodity risk management	0.2	0.3	(0.1)	(29.0%)
Income/(Costs) from equity investments of a non-financial nature	21.5	28.7	(7.2)	(25.2%)
EBITDA	**858.7**	**769.4**	**89.2**	**11.6%**
Amortisation, depreciation, provisions and impairment charges	432.7	366.9	65.7	17.9%
Operating profit/(loss)	**426.0**	**402.5**	**23.5**	**5.8%**
Financial items	(68.0)	(65.5)	(2.5)	3.8%
Equity investments	3.3	3.6	(0.3)	(8.3%)
Profit/(loss) before tax	**361.3**	**340.6**	**20.7**	**6.1%**
Income taxes	110.2	102.3	7.9	7.7%
Net result	**251.1**	**238.3**	**12.8**	**5.4%**
Profit/(loss) attributable to minority interests	32.4	19.4	13.0	66.9%
Net profit/(loss) attributable to the Group	**218.7**	**218.9**	**(0.2)**	**(0.1%)**

The following changes in the scope of consolidation took place compared to 30 September 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 e PF Power of Future, on 27 May 2020 49.9% of Energia SpA and on 23 July 2020 49% of Belaria. As at 30 September 2020, with these acquisitions the Group achieved a total of 52 MWp of installed power;
- On 22 April 2020 Acea Ambiente acquired 60% of Ferrocart, Cavallari and 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 15 April 2020 Acea Solar acquired Fergas Solar, operating in the field of the development and construction of photovoltaic plants;
- 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 19 May 2020, Acea Innovation acquired 100% of Electric Drive Italia, a company that promotes the development of electric mobility through advanced IT solutions;
- On 31 July 2020, the company Acea800 and the business unit was split up and divided among the related companies Acea Energia, *a*reti and Acea Ato 2;
- On 31 August 2020 Acea SpA acquired 51% of Alto Sangro Distribuzione Gas.

With regard to 2019, please note that:

- Acea S.p.A. set up Acea Innovation, operating in the field of technological innovation;
- Acea Ambiente acquired 90% of Demap, a company operating in Piedmont in the field of plastics recycling, and 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;
- Acea SpA established Acea Solar and Acea Sun Capital. The latter includes the acquisitions of photovoltaic plants for a total of 23 MWp as at 30 September 2019.

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

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

€ million	Consorcio Agua Azul	Pescara Distribuzione Gas	AdF	Demap	Berg	solar	Ferrocart Cavallari Group	Simam	Alto Sangro Distribuzione Gas
Revenues	10.0	1.6	83.8	5.0	4.9	8.8	10.9	7.7	0.5
EBITDA	6.4	0.4	41.1	2.0	1.5	7.8	3.0	3.1	0.4
EBIT	4.8	(0.0)	18.9	1.6	1.0	3.7	2.2	2.3	0.3
EBIT	5.5	(0.1)	15.6	1.6	0.9	2.6	2.1	2.2	0.3
NP	3.4	(0.2)	9.8	1.1	0.6	2.2	1.5	1.8	0.3

As at 30 September 2020, revenues from sales and services come to € 2,389.4 million, up € 143.1 million (+ 6.4%) on those of Q3 2019, mainly due to the increase in revenues from the increase in revenues from the integrated water service (+ € 132.3 million). This change was mainly due to i) the full consolidation of AdF for € 83.9 million (in Q3 2019 the Company was consolidated with the equity method), and 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) (+ € 33.1 million). This intervention was partially offset by the non-recognition of the contractual quality bonus that is zero compared to the same period last year (when it was € 25.5 million) while adjustments deriving from pass-through items (electricity, system change costs, etc.) are up by € 2.8 million.
The following also contributed to the change in revenue from sales and services: i) the increase in revenues from waste disposal and landfill management (+ € 25.9 million) deriving for € 13.3 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 € 5.3 million mainly due to Acea Energia (+8.5 million scm); iii) the revenues of foreign companies + € 13.7 million due to the full consolidation of Consorcio Agua Azul, whose contribution amounted to € 9.9 million as well as the improved performance of Acea Perù, which recorded higher revenues for € 6.1 million.
These increases were partially offset by the reduction in revenues from the sale of electricity of € 45.8 million, of which € 21.5 million related to Acea Ambiente as a result of lower revenues from the CIP 6 contribution ended on 31 July 2019 (- € 18.7 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-September 2020 was 1,561 GWh, a decrease of 7.7% on a trend basis. The sale of electricity on the free market amounted to 3,353 GWh for Acea Energia and 350 GWh for Umbria Energy, for a total of 3,703 GWh, with an increase with regard to the same period last year of 18.5%, primarily related to the B2B segment.

Other revenues show a decrease of € 17.7 million (- 17.7%) compared to the same period of the previous year.
The change is mainly due to the recognition in Q3 2019 of contingent assets for € 16.2 million for the total cancellation of the administrative fine imposed by the Antitrust Authority and notified on 8 January 2019, following the appeal filed by Acea with the Lazio Regional Administrative Court. The remaining changes are mainly due to a number of items with an opposing sign: **i)** higher energy contributions received by photovoltaic companies of € 10.3 million (mainly as a result of the change in the scope of consolidation), these revenues represent the incentive contribution recognised by GSE for the production of energy from photovoltaic plants; **ii)** improvement in the IFRIC 12 margin of € 1.8 million due to higher investments and **iii)** higher operating contributions of + € 3.1 million (the change in the scope of consolidation affected € 2.7 million); partially offset by **iv)** the decrease in contingent assets of € 7.1 million and **v)** the decrease in contributions for EECs of € 4.4 million (to be correlated with the reduction in costs).

External costs increased overall by € 9.2 million (+ 0.7%) compared to 30 September 2019. The change in the scope of consolidation accounted for € 48.9 million, of which € 30.5 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 (- € 36.0 million) in line with the trend recorded in revenues;
- Higher material purchasing costs (+ € 14.9 million), in particular for *areti* (+ € 4.8 million) and Gori (+ € 7.2 million);
- Increase in costs for concession fees (+ € 4.4 million) mainly related to AdF for € 3.6 million, to Acea Ato 2 for € 0.5 million and Pescara Distribuzione Gas for € 0.4 million;
- Higher costs for services (+ € 23 million) with € 30.7 million due to the change in scope (of which AdF € 19.9 million).
- This effect is partially offset by a reduction in other services for € 10.9 million, mainly attributable to Gori, also as a result of the transfer of the regional works previously supported by the Campania Region and handed over to the company;
- Labour costs increased by € 19.6 million (10.5%) compared to the same period of the previous year. The change in the scope of consolidation (+ € 19.2 million) was mainly influenced by the full consolidation of AdF, which contributed an increase of € 12.3 million.
- The average number of employees was 7,701 and increased by 1,087 compared to the same period of the previous year, mainly due to the effect of the change in the scope of consolidation.

€ million	30/09/2020	30/09/2019	Change	% Change
Staff costs including capitalised costs	322.2	296.7	25.5	8.6%
Costs capitalised	(115.2)	(109.3)	(5.9)	5.4%
Personnel costs	**207.0**	**187.4**	**19.6**	**10.5%**

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 € 3.6 million.

€ thousand	30/09/2020	30/09/2019	Change	% Change
EBITDA	91.8	111.0	(19.2)	(17.3%)
Amortisation, depreciation, impairment charges and provisions	(58.7)	(63.1)	4.4	(7.0%)
Financial items	(2.6)	(7.6)	5.0	(65.8%)
Taxes	(9.0)	(11.6)	2.5	(21.9%)
Income from equity investments of a non-financial nature	**21.5**	**28.7**	**(7.2)**	**(25.2%)**

EBITDA rose from € 769.4 million at 30 September 2019 to € 858.7 million at 30 September 2020, recording an increase of € 89.2 million or 11.6%. The increase is due to the change in the scope of consolidation of € 65.7 million (AdF contributed € 41.1 million). Given the same scope, the growth of EBITDA mainly derived from the tariff dynamics of the water sector (+ € 46.5 million), primarily as a result of the tariff increase determined by ARERA Resolution no. 580/2019/R/IDR - MTI. This was followed by the increase in margins of the distribution sector (+ € 18.5 million) deriving from the positive effect of the energy balance, mainly as a result of the equalisation effects, of the share of revenues related to the swap of 1G meters (+ € 6.3 million), as well as for the effects related to the reduction of grid losses. The Environment Segment had a negative impact of € 7.6 million, mainly as a result of lower revenues relating to CIP 6 which ended on 31 July 2019; the new companies in the environment segment instead generated an EBITDA of € 6.5 million. The generation sector also showed a decrease in EBITDA of € 7.9 million mainly due to the reduction in prices on the energy markets also following the COVID-19 emergency, as well as to the reduction in volumes produced as a result of the decrease in water inputs (- 16 Gwh). New photovoltaic companies contributed € 7.6 million to the increase in EBITDA. The EBITDA of the Parent Company decreased by € 21.6 million. This change was due to the combined effect of the registration in 2019 of the contingency of € 16.2 million relating to the cancellation of the administrative fine imposed by the Antitrust Authority, to which are added higher costs for the COVID-19 emergency.

EBIT grew by € 23.5 million on the same period of last year. This increase was mitigated by the growth in amortisation and depreciation (+ € 58.0 million compared to Q3 2019), which mainly concerned the Water Segment (+ € 32.1 million). The consolidation of AdF contributed to the increase by € 20.2 million. Below are details of the items influencing EBIT.

€ million	30/09/2020	30/09/2019	Change	% Change
Amortisation / depreciation of intangible and tangible assets and write-downs	364.8	306.7	58.0	18.9%
Provision for doubtful accounts	58.1	51.8	6.3	12.2%
Provision for risks and charges	9.8	8.4	1.4	16.3%
Amortisation, depreciation, impairment charges and provisions	**432.7**	**366.9**	**65.7**	**17.9%**

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. *a*reti 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 € 4.8 million and AdF for + € 1.1 million.
Provisions increased by € 1.4 million, of which € 1.0 million deriving from the full consolidation of AdF.

The result of financial operations showed net charges of € 68.0 million and an increase in charges of a total of € 2.5 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 September 2020 the average all-in global cost of the Acea Group's debt stood at 1.76% compared to 2.16% 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 € 3.2 million.

The estimate of the fiscal charges amounted to € 110.2 million, compared to € 102.3 million for the same period last year. The overall increase of € 7.9 million is mainly due to the higher pre-tax profit. The tax rate for 30 September 2020 was 30.5% (30.0% at 30 September 2019).

The Group's net income amounted to € 218.7 million, marking a decrease of € 0.2 million compared to the same period of financial year.

Summary of results: trends in financial position and cash flows

Consolidated balance sheet data (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019*	Change	% Change
NON-CURRENT ASSETS AND LIABILITIES	6,098.2	5,825.8	272.5	4.7%	5,473.6	624.6	11.4%
NET WORKING CAPITAL	(342.4)	(656.2)	313.9	(47.8%)	(537.5)	195.2	(36.3%)
INVESTED CAPITAL	5,755.9	5,169.5	586.3	11.3%	4,936.1	819.8	16.6%
NET DEBT	(3,535.4)	(3,062.8)	(472.6)	15.4%	(2,960.3)	(575.1)	19.4%
Total shareholders' equity	(2,220.5)	(2,106.7)	(113.8)	5.4%	(1,975.8)	(244.7)	12.4%
Total sources of financing	**5,755.9**	**5,169.5**	**586.3**	**11.3%**	**4,936.1**	**819.8**	**16.6%**

** 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 € 272.5 million (+ 4.7% compared to 31 December 2019), mainly due to the increase in intangible fixed assets (+ € 381.0 million).

€ million	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Tangible/intangible fixed assets	5,946.0	5,565.1	381.0	6.8%	5,172.4	773.7	15.0%
Equity investments	291.3	270.8	20.5	7.6%	291.9	(0.6)	(0.2%)
Other non-current assets	599.0	637.0	(38.1)	(6.0%)	656.2	(57.3)	(8.7%)
Employee severance indemnity and other defined benefit plans	(105.2)	(104.6)	(0.6)	0.5%	(103.5)	(1.6)	1.6%
Provisions for risks and charges	(240.0)	(151.4)	(88.6)	58.5%	(214.5)	(25.5)	11.9%
Other non-current liabilities	(392.9)	(391.1)	(1.8)	0.5%	(328.8)	(64.0)	19.5%
Non-current assets and liabilities	**6,098.2**	**5,825.8**	**272.5**	**4.7%**	**5,473.6**	**624.6**	**11.4%**

The change in intangible fixed assets is mainly due to the investments, which reached € 625.3 million, and amortisations and value reductions, totalling € 364.8 million.

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

Investments (€ million)	30/09/2020	30/09/2019	Change	% Change
Environment	**18.2**	**29.4**	**(11.1)**	**(37.9%)**
Commercial & Trading	**27.0**	**31.8**	**(4.8)**	**(15.1%)**
Overseas	**1.6**	**5.3**	**(3.7)**	**(69.4%)**
Water	**338.4**	**253.5**	**84.8**	**33.5%**
Energy Infrastructure	**222.8**	**196.5**	**26.3**	**13.4%**
Engineering and Services	**3.9**	**1.2**	**2.7**	**insig.**
Corporate	**13.4**	**11.3**	**2.0**	**18.0%**
TOTAL	**625.3**	**529.0**	**96.3**	**18.2%**

The **Environment Segment** made investments of € 9.5 million and compared to 30 September 2019 decreased € 11.1 million, referring mainly to the investments made by Acea Ambiente for works carried out in the plants of San Vittore for revamping of line IV, the plants of Aprilia and for works at the landfill in Orvieto. The change in the scope contributed to investments with an increase of about € 1.4 million.

The **Sales and Trading Segment** recorded investments for € 27.0 million (- € 4.8 million compared to 30 September 2019) and mainly related to € 16.3 million to the cost of acquiring new customers in accordance with IFRS 15, for € 9.2 million to IT implementation projects and for € 0.8 million related to cloud licences on which the new Customer Relationship Management is being designed.

The **Overseas Segment** showed a decrease of € 3.7 million, mainly due to Aguas de San Pedro.

The **Water Segment** invested a total of € 338.4 million, an increase compared to 30 September 2019 of € 84.8 million due to higher investments by Acea Ato 2 (+ € 40.7 million) and the consolidation of AdF (+ € 23.4 million), Gori (+ € 14.7 million) and Acea Ato 5 (+ € 4.3 million). The investments in the Segment mainly refer to the extraordinary maintenance, renovation, modernisation and expansion of the systems and networks, the reclamation and expansion of the water and sewerage pipes of the various municipalities and the work on the purifiers and the transport systems (connectors and feeders).

The **Energy Infrastructure Segment** recorded an increase in investments of € 26.3 million, mainly relating to *a*reti (+ € 16.1 million). Investments by *a*reti refer mainly to the expansion and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control equipment with a view to improving service quality and increasing resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems. Investments made by Acea Produzione mainly concern extraordinary maintenance works for the Tor di Valle and Montemartini thermoelectric power plants, the upgrades of the substations of the Salisano and Orte plants and the extension and refurbishment of the district heating network in the Mezzocammino district in the south of Rome. The investments made by Acea Solar (€ 10.8 million) refer to the construction of photovoltaic plants on both agricultural and industrial soils.

The **Engineering and Services Segment** recorded investments of € 3.9 million, mainly due to the purchase of industrial and trade equipment by Acea Elabori. The change in the scope of consolidation of Simam for € 1.7 million contributed to this.

Corporate carried out investments of € 13.4 million, which mainly relate to IT developments and investments in offices used for company activities.

Group investments concerning shared IT infrastructure totalled € 29.3 million.

Equity investments increased by € 20.5 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 + € 21.6 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 (- € 7.9 million), which was previously consolidated into shareholders' equity;
- Other changes of - € 18.0 million, mainly related to the distribution of dividends (- € 17.4 million) and by the OIC (- € 0.6 million).

The stock of **employee severance indemnity and other defined benefit plans** reported an increase of € 0.6 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 0.65% in 30 September 2020).

Provisions for risks and charges increased by 58.5% compared to the previous year mainly as a result of the provision for interim taxes (€ 93.1 million) partly offset by uses (€ 13.1 million) that mainly refer to the provision for Early Retirements and Redundancies.

€ million	31/12/2019	Uses	Provisions	Release for Provisions for redundancy	Reclassifications / Other changes	30/09/2020
Legal	16.2	(1.2)	2.1	(0.4)	(0.0)	16.7
Taxes	9.3	0.0	0.2	(1.2)	(0.2)	8.1
Regulatory risks	27.6	(0.1)	1.4	(0.0)	0.1	29.0
Investees	7.5	0.0	0.0	(0.2)	(0.1)	7.2
Contributory risks	1.4	(0.3)	0.0	(0.1)	0.1	1.1
Insurance deductibles	10.3	(1.6)	2.1	0.0	0.0	10.8
Other risks and charges	25.2	(0.7)	3.5	(0.0)	1.2	29.2
Total Provision for Risks	97.5	(3.9)	9.4	(1.9)	1.1	102.1
Early retirements and redundancies	29.1	(12.4)	0.0	(0.1)	2.6	19.3
Post mortem	**17.1**	**0.0**	**0.0**	**0.0**	**0.4**	**17.5**
Provision for Settlement Charges	0.1	(0.0)	0.0	0.0	0.0	0.1
Provision for Charges of others	7.6	(0.7)	2.4	0.0	0.2	9.5
Provision for interim taxes	0.0	0.0	90.7	0.0	0.9	91.6
Total Provision for Charges	53.9	(13.1)	93.1	(0.1)	4.1	137.9
Total Provisions for Risks and Charges	151.4	(17.0)	102.4	(2.0)	5.1	240.0
Provision for interim taxes	0.0	0.0	90.7	0.0	0.9	91.6
Total Provision for Charges	**53.9**	**(13.1)**	**93.1**	**(0.1)**	**4.1**	**137.9**
Total Provisions for Risks and Charges	**151.4**	**(17.0)**	**102.4**	**(2.0)**	**5.1**	**240.0**

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 € 221.0 million and the increase in other current assets for € 101.9 million, partially offset by an increase in other current assets (+ € 27.7 million).

€ million	30/09/2020	31/12/2019	Change	30/09/2019	Change
Current receivables	**1,250.8**	**1,035.5**	**215.3**	**1,080.2**	**170.6**
- *due from end users/customers*	1,156.0	935.1	221.0	981.0	175.0
- *due to Roma Capitale*	79.6	86.7	(7.1)	83.0	(3.4)
Inventories	**80.4**	**57.3**	**23.0**	**51.1**	**29.2**
Other current assets	**327.2**	**225.3**	**101.9**	**250.3**	**76.9**
Current payables	**(1,599.0)**	**(1,600.3)**	**1.3**	**(1,514.5)**	**(84.5)**
- *due to Suppliers*	(1,490.6)	(1,472.8)	(17.8)	(1,387.7)	(102.8)
- *due to Roma Capitale*	(104.3)	(121.7)	17.4	(125.8)	21.5
Other current liabilities	**(401.8)**	**(374.1)**	**(27.7)**	**(404.7)**	**2.9**
Net working capital	**(342.4)**	**(656.2)**	**313.9**	**(537.5)**	**195.2**

Receivables from users and customers net of the provision for doubtful accounts increased by € 221.0 million compared to the end of 2019, also influenced by the COVID-19 effect. There was an increase in all segments, in particular: i) receivables from the Water Segment increased by € 184.6 million, mainly due to Gori, Acea Ato 2, Acea Ato 5 and AdF; ii) receivables from the Commercial and Trading Segment increased by € 13.1 million, mainly due to Acea Energia; iii) the Engineering and Services Segment recorded an increase in receivables of € 5.2 million deriving from the acquisition of Simam for € 4.5 million and for the remaining portion due to TWS; iv) the Energy Infrastructure Segment increased the amount of receivables by € 13.9 million, of which € 9.1 million related to *a*reti.

Receivables from customers are shown net of the Provision for impairment of receivables, which amounted to € 653.7 million compared to € 651.5 million at the end of 2019.

In the first half of 2020 receivables totalling € 938.3 million were transferred pro-soluto, of which € 143.1 million to the Public Administration.

As far as **relations with Roma Capitale** at 30 September 2020 are concerned, the net balance is in debt for the Group for € 12.1 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;
- ✓ September 2020: receivables for € 22.8 million relating to the Public Lighting service, 2019 fees and pro-rata in exchange for Acea's share dividends for the year 2018, receivables for € 15.6 million relating to water services for the year 2019 in exchange for the Acea Ato 2 concession fee.

During the period the stock of trade receivables recorded a decrease of € 7.1 million compared to the previous period mainly due to the user billing for the period (€ 31.0 million) and the offsets detailed above (€ 38.1 million).

Financial receivables grew € 2.6 million compared to 31 December 2019 due to the combined effect of: **i)** offsets of financial receivables in February and September (as noted above), and **ii)** accruals of receivables during the period for the public lighting service agreement, for the modernisation of security, for extraordinary maintenance, for the LED Plan agreement and for the works relating to the Public Lighting service.

In the first nine months of the 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 € 19.7 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 € 33.3 million following the payment made through compensation in February;
- ✓ Decrease in the Acea Ato 2 concession fee for 2017 of € 16.3 million following payment through offsets.

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.

Receivables from Roma Capitale	30/09/2020	31/1219	Change	30/09/2019	Change
	A)	B)	A) - B)	C)	A) - C)
Utility receivables	83.2	90.6	(7.4)	85.5	(2.3)
Provisions for write-downs	(9.4)	(9.3)	(0.0)	(9.3)	(0.0)
Total receivables from users	**73.8**	**81.2**	**(7.4)**	**76.1**	**(2.3)**
Receivables for water works and services	2.3	2.5	(0.2)	3.8	(1.5)
Receivables for water works and services to be invoiced	1.7	1.5	0.3	1.4	0.3
Provisions for write-downs	(1.9)	(1.9)	0.0	(1.9)	0.0
Receivables for electrical works and services	4.0	3.8	0.2	3.9	0.1
Provisions for write-downs	(0.3)	(0.3)	0.0	(0.3)	0.0
Total receivables for works	**5.8**	**5.5**	**0.3**	**6.9**	**(1.1)**
Total trade receivables	**79.6**	**86.7**	**(7.1)**	**83.0**	**(3.4)**
Financial receivables for Public lighting services billed	125.9	138.8	(12.9)	124.7	1.2
Provisions for write-downs	(30.2)	(30.2)	0.0	(30.2)	0.0
Financial receivables for Public lighting services to be billed	57.6	39.2	18.4	40.1	17.4
Provisions for write-downs	(20.4)	(15.0)	(5.4)	(13.3)	(7.1)
M/L term financial receivables for Public lighting services	12.6	15.2	(2.6)	16.1	(3.5)
Total public lighting receivables	**145.6**	**148.2**	**(2.6)**	**137.5**	**8.1**
Total Receivables	**225.2**	**234.9**	**(9.7)**	**220.5**	**4.7**

Payables due to Roma Capitale	30/09/2020	31/1219		30/09/2019	31/03/2019
Electricity surtax payable	(15.2)	(15.3)	0.0	(15.3)	0.0
Concession fees payable	(78.1)	(96.4)	18.3	(99.4)	21.3
Other payables	(11.1)	(10.1)	(0.9)	(11.2)	0.2
Dividend payables	(132.9)	(79.5)	(53.4)	(79.5)	(53.4)
Total payables	**(237.2)**	**(201.2)**	**(36.0)**	**(205.4)**	**(31.9)**
Net balance receivables payables	**(12.1)**	**33.7**	**(45.7)**	**15.1**	**(27.2)**

Current payables remained in line with the stock at 31 December 2019 as a result of the increase in trade payables (+ € 17.8 million), offset by the decrease in trade payables to Roma Capitale (- € 17.4 million).

Other Current Assets and Liabilities recorded an increase of € 101.9 million (of which € 10.3 million for change in scope) and € 27.7 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 tax receivables (+ € 36.3 million), receivables from the energy equalisation compensation fund (+ € 44.9 million), receivables accrued for green certificates (+ € 5.5 million) and accrued income and prepaid expenses (+ € 8.6 million) partially offset by the reduction in VAT receivables (- € 15.4 million). As regards the increase in other current liabilities, there was an increase in tax payables (+ € 9.2 million) and in other payables (+ € 16.8 million), which mainly refer to increased payables to the Compensation Fund (+ € 11.1 million) and increased payables to municipalities for concession fees (+ 6.1 million).

Shareholders' Equity
The **net shareholders' equity** amounted to € 2,220.5 million. The changes, amounting to € 113.8 million, are detailed in the relevant table and are basically due to the distribution of dividends, the accrual of profits in the first nine months of 2020 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.

Net debt

Group **debt** recorded an overall increase of € 472.6 million, going from € 3,062.8 million at the end of 2019 to € 3,535.4 million at 30 September 2020. This change is a direct consequence of the investments made, 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	30/09/2020	31/12/2019	Change	% Change	30/06/2019	Change	% Change
Non-current financial assets/(liabilities)	2.5	2.4	0.1	4.6%	2.5	0.0	(0.9%)
Parent company, subsidiaries and associates current financial assets/(liabilities)	27.7	26.2	1.5	5.8%	28.3	(0.6)	(2.1%)
Non-current borrowings and financial liabilities	(4,147.1)	(3,551.9)	(595.2)	16.8%	(3,498.3)	(648.8)	18.5%
Net medium/long-term debt	**(4,116.9)**	**(3,523.4)**	**(593.6)**	**16.8%**	**(3,467.5)**	**(649.4)**	**18.7%**
Cash and cash equivalents and securities	523.4	835.7	(312.3)	(37.4%)	999.4	(476.0)	(47.6%)
Short-term debt	(159.9)	(541.9)	382.0	(70.5%)	(520.5)	360.6	(69.3%)
Current financial assets/(liabilities)	199.3	111.5	87.8	78.7%	(21.2)	220.5	insig.
Parent company and associates current financial assets/(liabilities)	18.7	55.3	(36.5)	(66.1%)	49.6	(30.9)	(62.3%)
Net short-term debt	**581.5**	**460.5**	**121.0**	**26.3%**	**507.3**	**74.3**	**14.6%**
Total net financial position	**(3,535.4)**	**(3,062.8)**	**(472.6)**	**15.4%**	**(2,960.3)**	**(575.1)**	**19.4%**

As regards the **medium/long-term component**, the increase of € 593.6 million compared to the end of 2019 refers to the increase in non-current payables and financial liabilities (€ 595.2 million). This change derives from the increase in bonds for € 497.9 million and in the increase in non-current financial payables and liabilities for € 97.3 million, as shown in the following table:

€ million	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Bonds	3,252.2	2,754.3	497.9	18.1%	2,754.6	497.6	18.1%
Medium/long-term borrowings	894.9	797.6	97.3	12.2%	743.7	151.1	20.3%
Medium/long-term debt	**4,147.1**	**3,551.9**	**595.2**	**16.8%**	**3,498.3**	**648.8**	**18.5%**

Bonds of € 3,252.2 million increased by a total of € 497.9 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 € 495.2 million includes the long-term portion of the stipulation costs.
Medium/long-term loans of € 894.9 million increased by € 97.3 million due to the Parent Company (+ € 68.4 million), which entered into a new loan of € 99.9 million (net of the long-term portion of the stipulation costs), to AdF (+ € 4.9 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 € 19.6 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 30.09.2021	Due from 30.09.2021 to 30.09.2025	After 30.09.2025
fixed rate	330.7	32.3	219.1	79.3
floating rate	424.3	46.7	184.0	193.6
floating rate cash flow hedge	180.9	16.1	55.5	109.3
Total	**935.9**	**95.1**	**458.6**	**382.2**

The **fair value** of Acea hedging derivatives was negative for € 0.5 million, decreasing by € 0.6 million compared to 31 December 2019 (was negative for € 1.0 million). The fair value of AdF hedging derivatives was negative for € 4.7 million (at 31 December 2019 it was negative for € 4.1 million), while that of Gori was negative for € 1.5 million.
The **short-term** component is positive for € 581.5 million and, compared to the end of 2019, shows an increase of € 121.0 million, generated for € 66.2 million by the Parent Company.
At 30 September 2020 the Parent Company held unused committed credit lines totalling € 500.0 million, unused uncommitted credit lines totalling € 559.00 million, of which € 50.0 million used, in addition to unused medium/long-term credit lines totalling € 250.0 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"

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.

					Energy Infrastructure						Other		
€ Million 30.09.2020	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	149	1,130	48	894	60	425	33	(1)	518	61	91	(402)	2,489
Costs	109	1,080	28	436	25	154	33	(1)	212	51	116	(402)	1,630
EBITDA	40	50	20	459	35	271	(1)	0	306	10	(25)	0	859
Depreciation/amortisation and impairment charges	25	45	9	213	18	105	6	0	130	2	7	0	433
Operating profit/loss	14	5	10	246	17	166	(7)	0	176	8	(32)	0	426
Investments	18	27	2	338	19	201	3	0	223	4	13	0	625

The revenues of the Water Segment include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method. The results of newly acquired gas distribution companies are also included.

					Energy Infrastructure						Other		
€ Million 30.09.2019	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	139	1,186	36	763	61	410	34	0	504	52	104	(409)	2,375
Costs	99	1,139	23	392	26	154	34	0	214	41	107	(409)	1,605
EBITDA	41	47	13	371	36	255	0	0	291	11	(3)	0	769
Depreciation/amortisation and impairment charges	22	39	8	173	15	94	2	0	111	1	14	0	367
Operating profit/loss	19	8	5	198	21	161	(2)	0	180	10	(17)	0	402
Investments	29	32	5	253	10	185	2	0	196	1	11	0	529

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 and financial results for the period

Operating figures	U.M.	30/09/2020	30/09/2019	Change	% Change
WTE conferment	Tonnes	319	325	(6)	(1.8%)
Landfilled waste	Tonnes	24	27	(4)	(13.2%)
Contributions to composting plants	Tonnes	137	86	51	58.6%
Contributions to Selection Plants	Tonnes	48	15	32	insig.
Intermediated waste	Tonnes	150	170	(21)	(12.1%)
Liquids treated at Plants	Tonnes	313	197	116	59.0%
M&A contributions	Tonnes	75	0	75	insig.
Net Electrical Energy transferred	GWh	248	244	5	1.9%
Waste produced	Tonnes/1000	114	91	23	25.3%

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	148.5	139.2	9.3	6.7%
Costs	109.0	98.6	10.4	10.6%
EBITDA	39.5	40.6	(1.1)	(2.7%)
Operating profit/(loss) (EBIT)	14.0	18.7	(4.6)	(24.8%)
Average headcount	512	380	131.9	34.7%

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	Change %	30/09/2019	Change	% Change
Investments	18.2	51.9	(33.6)	(64.8%)	29.4	(11.1)	(37.9%)
Net financial debt	284.2	256.5	27.7	10.8%	242.2	42.0	17.4%

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
EBITDA ENVIRONMENT Segment	39.5	40.6	(1.1)	(2.7%)
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	4.6%	5.3%	(0.7)	

The Environment Segment closed the first nine months of 2020 with an EBITDA of € 39.5 million (-2.7%). This performance is attributable to the reduction recorded by **Acea Ambiente** (- € 9.6 million) as a result of lower revenues from CIP 6 tariffs in 2019 (specifically, the scheme had been extended until 31 July 2019) for € 18.7 million, partially offset by the increase for higher fees for the contribution to landfills (+ € 5.6 million) and the positive effects of the change in scope due to the consolidation of **Demap** (+ € 2.0 million), **Berg** (+ € 1.5 million), **Cavallari** (+ € 1.7 million), **Ferrocart** (+ € 1.0 million) and **Multigreen** (+ € 0.3 million) as well as the better performance recorded by **Acque Industriali** (+ € 0.8 million) and **Aquaser** (+ € 1.0 million).

The average number of employees at 30 September 2020 was 512, an increase of 131.9 employees compared with 30 September 2019, due mainly to the change in the scope of consolidation.

The investments of the Segment amounted to € 18.2 million, referring mainly to the investments made by Acea Ambiente for works carried out in the plants of San Vittore for the revamping of line IV, the plants of Aprilia and for works at the landfill in Orvieto. The change in the scope contributed to investments with an increase of € 1.3 million. The decrease of € 11.1 million is mainly due to lower investments of **Acea Ambiente** (- € 11.2 million) compared to the same period of the previous year when investments were made for the revamping of the Monterotondo plant (€ 14.4 million).

The financial indebtedness of the Segment stands at € 284.2 million, an increase of € 27.7 million compared to 31 December 2019. The change of € 42.0 million compared to 30 September 2019 was mainly attributable to **Acea Ambiente** for € 29.2 million, while the change in the scope contributed to an increase of € 3.8 million. The changes are mainly attributable to cash flows resulting from acquisitions made in 2020.

Significant events in the first nine months of 2020 and beyond

April saw the completed acquisition of 60% of the capital of the companies Ferrocart 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 and financial results for the period

Operating figures	U.M.	30/09/2020	30/09/2019	Change	% Change
Electrical Energy sold - Free	GWh	3,703	3,125	578	18.5%
Electrical Energy sold - Protected	GWh	1,561	1,692	(130)	(7.7%)
Electrical Energy - No. Free Market Customers (P.O.D.)	n/1000	423	357	65	18.3%
Electrical Energy - No. Protected Market Customers (P.O.D.)	n/1000	757	798	(41)	(5.1%)
Gas Sold	MSmc	107	98	9	8.7%
Gas - No. Free Market Customers	n/1000	206	183	23	12.7%

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	1,129.8	1,186.0	(56.1)	(4.7%)
Costs	1,079.8	1,138.8	(59.0)	(5.2%)
EBITDA	50.0	47.2	2.8	6.0%
Operating profit/(loss) (EBIT)	4.7	8.2	(3.4)	(42.0%)
Average headcount	432	470	(37.6)	(8.0%)

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Investments	27.0	42.5	(15.5)	(36.6%)	31.8	(4.8)	(15.1%)
Net financial debt	(63.2)	(53.2)	(10.0)	18.7%	(18.1)	(45.1)	Insig.

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
EBITDA Commercial and Trading Segment	50.0	47.2	2.8	6.0%
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	5.8%	6.1%	(0.3 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 the first nine months of 2020 with an EBITDA of € 50.0 million, an increase of € 2.8 million compared to the same period of 2019. The increase is mainly attributable to **Acea Energia** (+ € 3.7 million), offset in part by the decrease of **Umbria Energy** (- € 0.8 million).

With regard to the effects on the primary gross margin, the increase recorded by **Acea Energia** derives from opposing effects. In detail, the energy margin related to the **free market** recorded an improvement of € 6.2 million compared to 30 September 2019, mainly due to the largest customers managed in the mass market segment, despite the negative impact of the COVID-19 health emergency starting in March 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 € 2.9 million compared to 30 September 2019 due to the combined effect of a higher number of customers managed (+ 12.7 %) 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 (+ € 1.0 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 € 6.3 million compared to 30 September 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 (- € 3.5 million), 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 € 3.4 million mainly attributable to **Acea Energia's** increased amortisation/depreciation (+ € 2.8 million) and provisions for the period (+ € 1.6 million), 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 and finally to the increased provisions for doubtful debts (+ € 1.8 million).

With regard to the workforce, the average number at 30 September 2020 stood at 432 employees, down compared to 30 September 2019 by 38 employees, mainly attributable to Acea800 as a result of the extraordinary operation that saw the exit of the branches to other Group companies (for more information, see the section "Scope of Consolidation").

Investments in the Segment amounted to € 27.0 million, a decrease of € 4.8 million, and mainly refer to € 16.3 million for the cost of acquiring new customers in accordance with IFRS 15, € 9.2 million for IT implementation projects and € 0.8 million related to cloud licences on which the new CRM (Customer Relationship Management) is being designed.

Net debt at 30 September 2020 stood at € 63.2 million (financial availability), an improvement of € 10.0 million compared to 31 December 2019, mainly due to **Acea Energia** (€ 17.6 million) and the dynamics of operating cash flow influenced by higher receipts for trading (+ € 46.0 million), partially offset by lower receipts related to the COVID-19 emergency (- € 8 million), lower regulatory receipts (- € 25 million) and to **Acea Energy Management** for € 7.4 million. The change of € 45.1 million compared to 30 September 2019 was attributable to **Acea Energia** for € 55.5 million, partly offset by the change of € 9.2 million recorded by **Acea Energy Management**.

Significant events in the first nine months of 2020 and beyond

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 1bis, 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. Finally, on 24 September 2020 the Lazio regional administrative court rejected the appeal filed in 2016 by Acea Energia against the AGCM provision on the PCS concerning the unsolicited activations of electricity and gas supplies.

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 PS10958 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 *a*reti 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 *a*reti. On 12 June 2020, Acea Energia sent ARERA its proposal for commitments containing the waiver of the receivable accrued to the system, the payment of compensation to ARERA and the obligation to send a bimonthly report for 10 years. Acea Energia is awaiting ARERA's approval of the commitments and completion of recalculations by Terna/CSEA.

Overseas

Operating figures and financial results for the period

Operating figures	U.M.	30/09/2020	30/09/2019	Change	% Change
Water Volumes	Mm3	31	33	-1	(3.9%)
Volumes injected into the network	Mm3	61	61	-1	(1.4%)
Number of customers (accounts served)	number	120,503	120,395	108	0.1%

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	48.1	35.5	12.6	35.4%
Costs	28.4	22.6	5.8	25.5%
EBITDA	19.7	12.9	6.8	52.9%
Operating profit/(loss) (EBIT)	10.4	5.3	5.2	97.6%
Average headcount	1,073	782	290.9	37.2%

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Investments	1.6	7.0	(5.4)	(76.9%)	5.3	(3.7)	(69.4%)
Net financial debt	(9.9)	(4.5)	(5.4)	119.0%	5.4	(15.3)	n.s.

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
EBITDA Overseas Segment	19.7	12.9	6.8	52.9%
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	2.3%	1.7%	0.6 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 Bogotà (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;
- Consorcio 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.
- Consorcio Servicio Sur controlled by Acea International (50%), Acea Ato 2 (1%) and by local partners Conhydra, Valio and India overall equal to 49%. The Consorcio 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 the first nine months of 2020 with an EBITDA of € 19.7 million, an increase of € 6.8 million compared to 30 September 2019. The change is mainly due to the consolidation of **Consorcio Agua Azul**(+ € 6.4 million) and to the higher revenues recorded by **Acea Perù** for the temporary management of the Lima Nord contract (+ € 0.8 million).

The average headcount at 30 September 2020 stood at 1,073 units and was up by 290.9 compared to 30 September 2019, mainly attributable to **Acea Perù** (+ 298 units).

Investments for the period amounted to € 1.6 million, down by € 3.7 million on the same period of last year. The reduction is mainly due to lower water investments in **Aguas de San Pedro**.

Net debt at 30 September 2020 amounted to € 9.9 million, an improvement of € 15.3 million compared to 30 September 2019, mainly due to **Aguas de San Pedro** (- € 4.0 million) and the consolidation of **Consorcio Agua Azul** (- € 10.9 million). The change in improvement compared to 31 December 2019 is mainly due to **Aguas de San Pedro** (- € 2.8 million) and **Acea Perù** (- € 0.8 million).

Significant events in the first nine months of 2020 and beyond

No significant events are reported during the period observed.

Water

Operating figures and financial results for the period

Operating figures*	U.M.	30/09/2020	30/09/2019	Change	% Change
Water Volumes	m3	535	394	141.9	36.1%
Electrical Energy Consumed	GWh	977	439	537.80	122.5%
Sludge disposed of	tonnes	185	104	81	77.5%

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	894.4	763.0	131.4	17.2%
Costs	435.8	392.4	43.4	11.1%
EBITDA	458.6	370.7	88.0	23.7%
Operating profit/(loss) (EBIT)	245.6	197.7	47.9	24.2%
Average headcount	3,231	2,684	546	20.4%

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	Change %	30/09/2019	Change	% Change
Investments	338.4	380.1	(41.7)	(11.0%)	253.5	84.8	33.5%
Net financial debt	1,385.4	1,286.5	98.9	7.7%	1,174.4	211.0	18.0%

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
EBITDA Water Segment	458.6	370.7	88.0	23.7%
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	53.4%	48.2%	5.2 p.p.	

The EBITDA for the Segment stood at € 458.6 million at 30 September 2020, an increase of € 88.0 million compared to 30 September 2019 (23.7%).
The increase is largely due to **Acea Ato 2**, which recorded an increase of € 33.5 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 € 55.5 million) offset in part by the eliminated effects of the commercial quality bonus (- € 25.5 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 (+ € 41.1 million) and Alto Sangro Distribuzione Gas (+ € 0.4 million). Also noteworthy are the increases recorded by **Acea Ato 5** for € 6.0 million and **Gori** for € 6.0 million due to higher income from the IWS and higher capitalisation of personnel.
The contribution to EBITDA of water companies valued at equity amounting to € 20.7 million decreased by € 5.5 million due to the combined effect of the full consolidation of **AdF** (- € 3.6 million) and from the decrease recorded by **Publiacqua** (- € 4.0 million) offset by the increase recorded by the **Acque Group** (+ € 1.2 million). In fact, the result at 30 September 2019 was negatively affected by the unwinding of the loan. The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

(€ million)	2,020	2,019	Change	% Change
Publiacqua	8.1	12.1	(4.0)	33.1%
Acque Group	8.6	7.4	1.2	(16.1%)
AdF	0.0	3.6	(3.6)	100.0%
Umbra Acque	1.4	1.6	(0.2)	15.1%
Nuove Acque and Intesa Aretina	1.6	0.6	1.0	(182.5%)
SII	0.4	0.0	0.4	insig.
Geal	0.6	0.9	(0.3)	33.3%
Total	**20.7**	**26.2**	**(5.5)**	**(21.0%)**

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 (+ € 29.7 million), mainly due to the consolidation of **AdF** (+ € 20.2 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 (+ € 5.6 million).
The average headcount at 30 September 2020 increased by 544 units, mainly attributable to the consolidation of Gori (+ 402 units).

Investments in the area amounted to € 338.4 million, an increase of € 84.8 million, attributable to higher investments recorded by **Acea Ato 2** for € 40.6 million, by **Acea Ato 5** for € 4.2 million, by **Gori** € 14.8 million and € 23.4 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 € 1,385.4 million as at 30 September 2020, an increase 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 September 2019 of € 211.0 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 the first nine months of 2020 and beyond

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.
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 in the first nine months of 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 AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA resolution.
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 AGB approved the tariff with $Opex_{qc}$ as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.
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. 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.	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 $Opex_{qc}$. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT 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 OpexQC) and the extension of the concession with

Company	Approval status (up to MTI2 "2016 - 2019")	Biennial update status (2018 - 2019)
		Resolution no. 465 of 12 November 2019.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex$_{qc}$. 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.	On 12 July 2018 the ARERA approved the 2018-2019 tariff update proposed by the 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. The Company submitted the tariff proposals independently. Today approval by the ARERA is awaited.	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 OTAA1 approved the tariffs for the years 2016-2019. Today approval by the ARERA is awaited.	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$_{qc}$. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	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:

- Publiacqua, for which on 16 July 2020 the AIT submitted the new tariff proposal prepared by the operator to ARERA;
- Geal, for which the AIT approved the 2020-2023 tariff proposal on 28 September 2020.

Revenues from the Integrated Water System

The table below indicates for each Company in the Water Segment the amount of revenue in the first nine months 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	507.8	FNI = 31.9 AMM_{FoNI} = 8.2
Acea Ato 5	67.5	FNI = 2.8 AMM_{FoNI} = 3.2
Gori	151.6	AMM_{FoNI} = 2.4
Acque	54.5	AMM_{FoNI} = 2.9
Publiacqua	83.9	FNI = 21.7 AMM_{FoNI} = 8.6
AdF	83.9	AMM_{FoNI} = 7.4
Gesesa	9.9	FNI = 0.3
Geal	6.2	AMM_{FoNI} = 0.6
Acea Molise	3.6	-
Umbra Acque	23.9	FNI = 0.1 AMM_{FoNI} = 1.4

Energy Infrastructure

Operating figures and financial results for the period

Operating figures	U.M.	30/09/2020	30/09/2019	Change	% Change
Energy Produced	GWhe	386	402	(16)	(4.0%)
Energy Produced	GWht	29	48	(19)	(39.6%)
Electricity distributed	GWh	6,822	7,490	(667)	(8.9%)
No. of Customers	N/1000	1,634	1,631	3	0.2%
Km of Network	km	30,744	30,764	(20)	(0.1%)

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	517.9	504.4	13.5	2.7%
Costs	212.0	213.8	(1.8)	(0.8%)
EBITDA	305.9	290.6	15.3	5.3%
Operating profit/(loss) (EBIT)	175.7	179.9	(4.2)	(2.3%)
Average headcount	1,348	1,355	(6.2)	(0.5%)

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Investments	222.8	287.8	(65.0)	(22.6%)	196.5	26.3	13.4%
Net financial debt	1,595.1	1,320.5	274.6	20.8%	1,302.8	292.3	22.4%

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
Energy Infrastructure Segment Adjusted EBITDA*	305.9	290.6	15.3	5.3%
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	35.6%	37.8%	(2.1 p.p.)	

EBITDA at 30 September 2020 was € 305.9 million, an increase of € 15.3 million compared to 30 September 2019. This change is mainly attributable to the company ***areti*** (+ € 18.5 million), primarily: (i) the equalisation of distribution revenues for the different value of tariff parameters, (ii) the change in stocks and the different consumption levels in the stages and equalisation of previous years (+ € 4.1 million), (iii) *regulatory accounting* as a return on investments net of amortisation/depreciation (+ € 5.3 million), (iv) share of revenues related to the swap of 1G meters (+ € 6.3 million) and (v) the positive energy balance as per ARERA Resolution 162/20 (+ € 9.3 million).
As regards the energy balance, at 30 September 2020 *areti* distributed 6,822 GWh with an 8.9% decrease compared to the same period of 2019.
The EBITDA for **public lighting** is negative for € 0.5 million, a slight decrease compared to 30 September 2019 (when it was negative for € 0.4 million).
Acea Produzione contributed a total of € 23.9 million to EBITDA, down from 30 September 2019 by € 7.8 million, mainly as a result of lower quantities (- € 2.6 million) and the price effect (- € 5.0 million).
The EBITDA of the photovoltaic sector increased by € 7.6 million, partly attributable to the change in scope of € 3.8 million.

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 € 14.5 million affected the increase for the period.

The average workforce showed a slight decrease compared to 30 September 2019 (- 6 units). Note that the new photovoltaic companies do not have employees.

Investments amounted to € 222.8 million, with those of *areti* (for a total of € 201.1 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 € 6.5 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 € 10.8 million.

Net financial debt stood at € 1,595.1 million as at 30 September 2020, showing a change of € 274.6 million compared to 31 December 2019, attributable to the change in scope and € 30.5 million for cash out related to the purchase of photovoltaic companies and € 214.0 million to *a*reti as a result of the increasing volume of investments, the increase in pay-outs and the dynamics of operating cash flow. Compared to 30 September 2019, the net financial position increased by € 292.3 million, due for € 216.4 million to *a*reti and for the remaining part from changes in scope (+ € 26.8 million).

Significant events in the first nine months of 2020 and beyond

GALA

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

At 30 September 2020 the total receivables accrued by *a*reti was € 73.7 million, including 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 request was formally submitted to participate in the mechanism for reimbursing the default interest billed and the amount requested was received 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 share amounted to € 11 million.

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 *a*reti'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 *a*reti. 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 November 2019.

It should also be noted that with Resolution no. 181 of 14 May 2019 ARERA rejected the complaint submitted by EEMS Italia SpA, also a Gala Group company, against *a*reti'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 SpA filed a new complaint with ARERA on 5 December 2019.

Finally, 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 SpA against ARERA Resolution 109/201/R/EEL of 6 March 2017 concerning guarantees for the collection of general electricity system costs.

New Photovoltaic acquisitions

It should be noted that during the first nine months of 2020, in line with the Business Plan, Acea continued to acquire companies in the photovoltaic market. As at 30 September 2020 15 companies were acquired for a total installed capacity of approximately 52 MW. One of these acquisitions was for 49% of Energia SpA., which has a total installed capacity of 7.7 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.

Finally, 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 and financial results for the period

Operating figures	U.M.	30/09/2020	30/09/2019	Change	% Change
Total number of analyses	Numbers	881,254	781,450	99,804	12.8%
Total number of samples	Numbers	27,571	25,708	1,863	7.2%
Worksite inspections	Numbers	12,631	10,166	2,465	24.2%
Number of inspections	Numbers	457	140	317	insig.

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	61.0	52.3	8.7	16.6%
Costs	51.1	41.3	9.7	23.5%
EBITDA	9.9	11.0	(1.1)	(9.7%)
Operating profit/(loss) (EBIT)	7.8	9.8	(1.9)	(19.8%)
Average headcount	407	277	130.1	46.9%

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Investments	3.9	1.8	2.1	119.7%	1.2	2.7	insig.
Net financial debt	51.8	6.7	45.0	insig.	16.9	34.8	insig.

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
EBITDA Engineering and Services Segment	9.9	11.0	(1.1)	(9.7%)
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	1.2%	1.4%	(0.3 p.p.)	

The Segment closed the first nine months of 2020 with EBITDA of € 9.9 million, down compared to the same period of the previous year by € 1.1 million. This change results from opposing effects deriving on the one hand from **Acea Elabori**, which recorded a reduction of € 4.3 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** (+ € 3.1 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 € 1.5 million and € 0.7 million, respectively.

The average number of employees at 30 September 2020 was 407, an increase compared to 30 September 2019 (277). This increase is mainly attributable to the **SIMAM** Group's entry into the scope (+ 116 people).

Investments amounted to € 3.9 million, mainly related to industrial equipment purchased by **Acea Elabori** (+ € 2.2 million). The change in the scope related to SIMAM contributed € 1.7 million.

Net financial debt at 30 September 2020 was equal to € 51.8 million, down € 45.0 million compared to 31 December 2019. This change was due to **Acea Elabori** for € 47.8 million as a result of an increase in requirements generated by changes in working capital and deriving for € 20 million from the acquisition of the subsidiary Simam. Note also the consolidation of Simam for € 2.2 million, partly offset by **TWS** for € 4.9 million, due also to the sale of Iseco's shareholding. Compared to 30 September 2019, financial debt decreased by € 34.8 million, attributable to **Acea Elabori** for € 36.2 million and the consolidation of **SIMAM** for € 2.2 million, only partly offset by **TWS**'s improved contribution to the NFP of € 3.6 million.

Significant events in the first nine months of 2020 and beyond

On 7 May 2020, the agreement for the acquisition of 70% of the capital of Simam SpA 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.

Corporate

Operating figures and financial results for the period

Equity and financial results (€ million)	30/09/2020	30/09/2019	Change	% Change
Revenues	90.8	103.8	(13.0)	(12.5%)
Costs	115.8	107.2	8.6	8.0%
EBITDA	(25.0)	(3.5)	(21.6)	insig.
Operating profit/(loss) (EBIT)	(32.4)	(17.0)	(15.4)	90.5%
Average headcount	698	667	31.3	4.7%

Equity and financial results (€ million)	30/09/2020	31/12/2019	Change	% Change	30/09/2019	Change	% Change
Investments	13.4	21.7	(8.3)	(38.4%)	11.3	2.0	18.0%
Net financial debt	292.0	250.4	41.6	16.6%	236.6	55.4	23.4%

EBITDA (€ million)	30/09/2020	30/09/2019	Change	% Change
EBITDA Corporate Segment	(25.0)	(3.5)	(21.6)	insig.
GROUP EBITDA	858.7	769.4	89.2	11.6%
Percentage weight	(2.9%)	(0.4%)	(2.5 p.p.)	

Corporate closed the first nine months of 2020 with a negative EBITDA of € 25.0 million (- € 21.6 million compared to 30 September 2019). The change is due to the combined effect of several phenomena, including the recognition in 2019 of the out-of-period income of € 16.2 million as a result of the decision of the regional administrative court annulling the fine imposed by the Antitrust Authority, an increase in costs for information technology and an increase in labour costs (higher number of resources), to which were added higher costs for the COVID-19 emergency.

The average number of staff at 30 September 2020 was 698, down compared to the same period in the previous year (667).
Investments amounted to € 13.4 million, an increase of € 2.0 million compared to the same period in 2019. Investments mainly refer to IT developments and investments in the company offices.
Net debt at 30 September 2020 amounted to € 292.0 million, an increase of € 41.6 million compared to the closure of 2019 and up € 55.4 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 the first nine months of 2020 and beyond

No significant events are reported during the period observed.

Performance of the equity markets and the Acea share

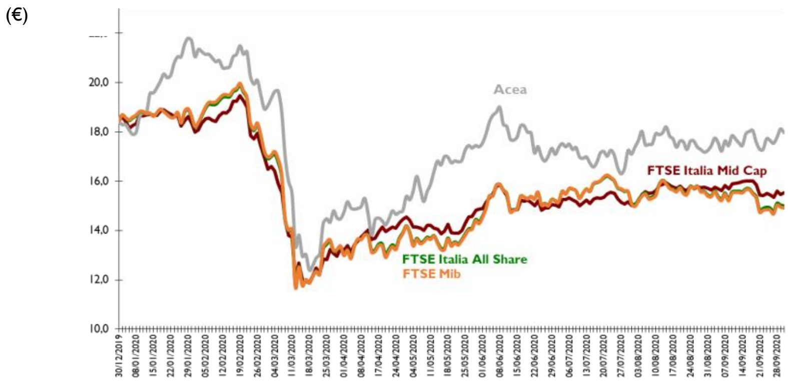
In the first nine months of the year the international equity markets diverged. The performance was negative in European stock exchanges and basically positive for the US indices, supported primarily by the performance of tech stocks.
Following gains in the first weeks of 2020, stock exchanges around the world reported strong declines mainly due to the COVID-19 emergency, which led to a profound global economic and financial crisis. These declines were partially recovered thanks to support measures put in place by governments and central banks.

The main indices of the Italian Stock Exchange have shown the following changes: FTSE MIB -19.1%; FTSE Italia All Share -18.6%; FTSE Italia Mid Cap -15.8%.

During the period under review, Acea outperformed the Italian index, reporting a 2.5% decline compared to an 18.6% decline of the FTSE Italia All Share. The share price stood at € 17.98 at 30 September (capitalisation: € 3,829 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 first nine months, average daily volumes were around 164,000 shares, substantially in line with the same period of 2019.

(Source: Bloomberg)

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



(grafico normalizzato ai valori di Acea – Fonte Bloomberg)

	Change % at 30/09/2020 (compared to 31/12/2019)
Acea	**-2.5%**
FTSE Mib	-19.1%
FTSE Italia All Share	-18.6%
FTSE Italia Mid Cap	-15.8%

In the first nine months of 2020 120 studies/notes on Acea were published.

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 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").
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 for 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 was finalised on 31 August.

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 Ferrocart 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 SpA (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 also appointed the new Board of Directors, defining its 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.

Acea SpA Starting in October the launch of the plan to replace the electricity meters with the new 2G meters

The plan to replace electricity meters with second-generation smart meters in the capital will start in October. More than two million meters will be installed in the city of Rome, with a total investment of about € 300 million. ARERA has in fact approved the Commissioning Plan for the second generation Smart Metering System presented by *a*reti, a company of the Acea Group that manages electricity distribution and metering in the municipalities of Rome and Formello. The plan – which covers more than 15 years, from 2020 to 2034 – provides for the replacement of current first-generation (1G) electricity meters with 2G smart meters for all users in the municipalities served by *a*reti.

The replacement of the meters marks the entry of 2G technology into the electricity grid, with considerable benefits for users, sellers and distributors. With 2G smart meters, thanks to a system that makes data available every 15 minutes, customers will be able to monitor consumption more easily and adjust their daily habits. Thanks to the features of the new smart metering system, the use of advanced services to improve energy efficiency and environmental protection will also be enabled and encouraged. The new technologies will also make it possible to detect malfunctions of local grids and meters more efficiently, reducing recovery times and inconvenience for users.

The 15-year plan provides in particular for the mass replacement of electrical meters starting in October 2020 and ending in 2025. The mass phase will be preceded by a pilot phase in September in the 9th Municipality of Rome.

Acea S.p.A.

The Board of Directors approves the 2020-2024 Business Plan

On 27 October 2020, the Board of Directors of ACEA approved the 2020-2024 Business Plan characterised by a strong focus on sustainability. The Plan's main objectives are (i) average annual EBITDA growth of approximately 7%, € 1.3 billion by 2022 and € 1.4 billion by 2024, with an overall increase at the end of the Plan of 38%, (ii) € 4.7 billion of investments in the period 2020-2024, an increase of approximately € 700 million compared to the previous Plan, (iii) NFP/EBITDA ratio at 2024 equal to 3x and NFP/RAB ratio at 2024 equal to 0.7x and (iv) dividends equal to a total of € 860 million in the period 2020-2024, up compared to the previous Plan, with a minimum DPS in 2021 of € 0.80.

COVID-19

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.

Worker health and safety

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).

Given the continuation of the national health emergency, the Acea Group has put in place further initiatives, rules and protective measures. Below are the most important:

- Installation of devices for the sanitisation of hands;
- Information on the conduct necessary to prevent 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 thermoscanners for measuring body temperature at site entrances;
- As staff are authorised to return 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 (people monitoring conduct);
- Placement of sanitising films to reduce bacterial load on the push-button panels of the lifts and vending machines, on the handles of the bathrooms and on the handrails of the stairs, and multilayer antibacterial mats for the soles of shoes at entrances;
- Blood testing conducted in partnership with the staff of the Tor Vergata hospital;
- Quick Molecular/Antigenic Swab campaign in partnership with Gemelli Hospital and the Paideia clinic, reserved for Acea staff and their families.

Worker health and safety abroad

The same safety conditions are also guaranteed to workers in the group's foreign companies. 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, 96% 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. Based on the company's transposition of the national regulations issued to address the health crisis, teleworking was extended until 31 December 2020.

“A4U” app

Designed to offer co-workers a self-diagnosis tool useful for the preliminary verification of their health before entering the company, A4U is downloadable on company equipment (mobile/tablet) and personal telephones (Android and IOS) and is a primary prevention tool that the Company makes available to all employees, also used to participate in serological testing campaigns.

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 nine months of 2020 the health emergency caused by the COVID-19 pandemic 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 September, European indices on average lost more than 20%, the Italian market 24% and the American stock exchange about 7%. In the same period, Acea's share price dropped about 17%.
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, 83% of whose EBITDA is generated by regulated activities, and in light of the chronology of events and news during 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. Until 30 September 2020 the numbers were not very substantial, so 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 electricity needs, providing a measure of the impact of the epidemic on the real economy. The subsequent reopening of activities mitigated the reduction in electricity demand, which in the first nine months of 2020 stood at - 6.9% nationwide.
With regard to the distribution of electricity in the area served by areti SpA, the reduction in energy injected into the grid was 9.62%, with a simultaneous reduction in the maximum power required by the grid of 11%.

The measures taken by ARERA in March to support the users of essential services (suspension of disconnections due to arrears – of households and companies – of energy supplies in all the territories served) were gradually discontinued, as was a mechanism to mitigate the risk of financial exposure of distribution companies.
With regard to the impacts of the COVID–19 epidemiological emergency until last August, ARERA also published consultation 313/2020/R/com with which it illustrated a series of extraordinary changes to be introduced in terms of technical quality, resilience, testing of riser cables and TIQE, TIF, TIMOE and TIME compensation not provided by distribution companies on services not performed due to force majeure.
After a few months of relative easing of the pandemic, August and September saw a resurgence of cases initially caused by people returning from summer holidays, especially from Sardinia. At the moment there have been no repercussions on operations.

Impacts of the COVID-19 health emergency on Ecogena's core activities

The external and internal context this year was strongly influenced by the health emergency that has had an impact on Ecogena's activities and objectives with regard to:

- regulatory framework tax incentives energy efficiency improvement:
  the modification of the regulatory framework as a result of the Relaunch Decree Law 19/05/2020 no. 34, converted into Italian Law no. 77 of 17/07/2020, which introduced tax concessions (110% super bonus) and the possibility of assigning credits and offering discounts for those beneficiaries (apartment complexes, single-family homes and public housing) that carry out energy efficiency/seismic reinforcement projects on their buildings. The regulatory framework related to the tax credits described above is still being finalised, but, having received great media attention, it has generated an increase in demand that creates an opportunity for Ecogena to develop its business in a new area (residential). In fact, the company is engaged in the development of a business line dedicated to these tax incentives in partnership with Acea Innovation;
- Lower energy consumption of buildings and impact on energy reporting:
  With regard to the energy reporting of structures whose consumption has been strongly impacted by the reduction of occupancy due to lockdown or teleworking, Ecogena will have to review the reporting methods that must be shared with the Customer;
- Reduction in electricity prices:
  The sharp reduction of the price of electricity has had a strong impact on Ecogena's business, making the service of improving energy efficiency less competitive compared to lower rates that customers or potential customers can find on the electricity market.

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 was extended for all operational personnel until 31 December 2020.

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 in order to manage the interior/exterior spaces of the branch and the back counter, ensuring the safety of Acea Energia customers and operators. Furthermore, the flow of customers into the branch is managed, a device to measure body temperature has been added, there is an obligation to sanitise hands and wear a mask, 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.acea.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 used the findings regarding customer conduct during the lockdown in order to verify 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 began in May, with the start of the so-called 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).
With regard to the so-called "second wave", the Commercial and Trading Segment has formulated four risk scenarios related to the level of daily infections found in the Lazio Region and monitors the evolution of the epidemiological emergency, paying particular attention to the risk mitigation measures related to customer service in the branch.

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.
It is still necessary to maintain the utmost attention today, also in light of the resurgence of the contagion, and to prepare to deal with relapses. Both public and private entities acknowledge that it is necessary to redesign a new context and a new development model where the pursuit of sustainability remains central. All public institutions, from the European Union to the Italian government, are moving in this direction, focusing on environmental protection, as evidenced for example by the choice of the EU Parliament to further raise the emission limits to be achieved by 2030, and social protection, such as the market launch and success of the "social" EU bond linked to the financing of SURE to protect against the negative effects on the labour market. At the national level, the country is working to present its National Recovery and Resilience Plan, in line with the Euro-unit frame of reference, pursuing the modernisation of the country, ecological transition, social and territorial inclusion and gender equality.
The Acea Group is facing this moment fully aligned with these perspectives, as demonstrated both by its constant attention to the evolution of the health emergency and the approval of the new 2020-2024 Business Plan, where sustainability, acting as an aggregating element for all the aforementioned objectives, becomes a characteristic and structural factor that guides the Group's business choices and operational management.

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 Dermopatico 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.
In September, numerous lighting projects were carried out on buildings and symbolic places in the city of Rome to support cultural and solidarity events promoted by the Institutions, including: the Week of Mitochondrial Diseases (Colosseum), the Campaign to raise awareness of childhood cancer (Colosseum), World Patient Safety Day (headquarters of the Lazio Region), the projection of the ring with the 17 objectives (SDGs) of Agenda 2030 on the Cestia Pyramid, the Festival of Sustainable Development organised by Asvis.

<u>Institutions</u>

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 from March onwards.

<u>The supply chain</u>

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.

<u>ARERA initiatives</u>

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.

Resolution 235/2020/R/idr "Adoption of urgent measures in the integrated water service in light of the COVID-19 emergency" envisaged:

- The postponement of the deadlines for tariff and technical quality obligations;
- The recognition in the tariff of 0.6% of turnover due to delays in payments caused by restrictions related to the spread of COVID-19;
- The evaluation of quality performance cumulatively considering the two-year period 2020-2021;
- The adjustment of the criteria for recognising costs (forecasted, with recoverable adjustment variances) attributable to the COVID-19 emergency;
- Selected measures for the financial sustainability of the operators during emergencies (advances to be requested from CSEA Cassa Servizi Energetici e Ambientali only for the operators that have received tariff approval by 30 September 2020);
- The increase of WIP (Work in Progress) profitability: 3.73% in the first two years of the regulatory cycle and 2.77% after.

Further actions in the Energy sector

With resolution **190/2020/R/eel**, ARERA reduced the fixed costs for grid services and general system charges due for non-domestic low-voltage supplies for the months of May, June and July 2020. It also established that, for any bills already issued, the adjustments due in application of the resolution must be made by the second subsequent bill. It also established that for each month of the period in question, 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.

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 **248/2020/R/com** completed 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 July 2020 but the exception will remain active for a maximum of 12 months.

Resolution **395/2020/R/eel** confirmed the current limits of the reactive energy power factor for each voltage level for the year 2021, postponing any tariff change for withdrawals and injections of reactive energy to 1 January 2022.

With consultation document **313/2020/R/com** ARERA also proposed extraordinary measures in terms of output-based regulation with an impact on the bonus/penalty mechanism for continuity of service, resilience, testing in terms of riser cables as well as on the applicability of force majeure for non-compliance with commercial quality standards.

Further measures issued by ARERA not related to the epidemiological emergency but still relevant to the Acea Group include:

- **DCO 204/2020/R/com** with which the Authority initiated the procedure for automatic recognition of the social bonus to beneficiaries in accordance with the provisions of Italian Law 124/2019;
- **DCO 209/2020/R/eel** on the grid loss recognition mechanism for the three-year period 2019-2021;

- **DCO 220/2020/R/eel** containing the first guidelines for the definition of service regulation with progressive protections for small businesses;
- Resolution **261/2020/R/eel** with which amendments were introduced to grid code regulations, applicable from January 2021;
- **DCO 330/2020/R/com** aimed at defining the adjustment mechanisms for economic items related to the application of the two-year limitation rules;
- Resolution **379/2020/R/eel**, with which ARERA determined the amount relating to the higher remuneration due to *a*reti for each tariff year from 2016 to 2018 with respect to the investments that entered into operation in the years 2014 and 2015;
- Resolution **380/2020/R/com** with which ARERA initiated a procedure for updating the criteria for calculating and updating the WACC in the period starting from 2022.

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 RQTI 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. The measure also provides for the possibility for the TCBs to request a financial advance from 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.

With Resolution **362/2020/R/rif**, the Authority initiated a procedure (to be concluded by 31 July 2021) for the preparation of model service contract schemes for the regulation of relations between contracting entities and operators of the integrated waste management service, including differentiated, urban and similar services or one of its component services.

With Resolution **299/2020/R/rif**, ARERA introduced a deferral of deadlines to 30 November 2020 to cover the financial exposure of the integrated waste management service, including differentiated, urban and similar waste following the COVID-19 epidemiological emergency. More specifically, in view of the financial difficulties that could burden the sector following the epidemiological emergency, the Authority regulated the methods used to cover tariff reductions provided to protect users by offering territorially competent bodies the option to ask CSEA for an advance of the amount corresponding to the value of the deferred component deriving from the application of the protection measures for non-domestic users. Furthermore, in consideration of the expected date for the approval of the forecast budget, ARERA regulated the conditions for accessing the advance payment mechanism by establishing that the territorially competent bodies can submit their requests to CSEA by 30 September 2020 (now postponed).

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 on biennial limitations: 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.

In July 2020, Acea Energia and *a*reti appealed to the Lombardy regional administrative court against resolution **184/2020/R/com**, arguing its unconstitutionality as it links the application of the limitation period merely to the passage of time, ignoring any obstructive behaviour of end customers, which leads to an unconstitutional interpretation of the 2020 Budget Law. The hearing on the merits is scheduled for 10 February 2021

Formal notice

With Resolution **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 **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.
Finally, with Resolution **426/2020/R/com** ARERA expanded the information obligations of electricity and natural gas suppliers for the benefit of end customers in the retail market, both in the pre-contractual phase and in the contractual phase, through the revision of the Code of Commercial Conduct.

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.
As for new laws in the energy and gas sector, of particular note is the law converting Italian Decree Law no. 8 of 28 February 2020 (1000 Postponements), which established a further postponement of the termination of the standard markets – compared to what was already established by Italian Law 124/2017, subsequently amended by Italian Law no. 91/2018 – postponing the end of such markets until January 2021 for small businesses and January 2022 for domestic customers, micro-enterprises and the termination of the gas standard market.

New Biosafety Trust Certification

As a further action to guarantee the health and safety of people in the current epidemiological situation, on 29 October 2020 Acea SpA passed the audit of the Rina certification body, thus earning "Biosafety Trust Certification", the management system to prevent and mitigate the spread of infections and to protect people against the threat of pathogenic biological agents like viruses, fungi and bacteria.
The new certification promotes a series of good practices that minimise the risk of spreading epidemics in public, private and social settings. The requirements of this tool are integrated with those of other management systems, which together provide an important contribution to risk management, consequently offering better protection of the health of its employees and customers.

Operating (and financial) outlook

The results achieved by the Acea Group at 30 September 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.
- Confirmation of investments substantially in line with 2019.
- Confirmed financial debt 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 September 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 September 2020 the average duration of medium/long-term debt stood at 5.6 years. Note that the reduction of the average cost went from 2.15% of 31 December 2019 to 1.76% of 30 September 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 Acea Group's Interim Report on Operations as at 30 September 2020 was approved by a resolution of the Board of Directors on 10 November 2020, which also authorised its 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.

Compliance with IAS/IFRS

This Interim Report on Operations, drafted on a consolidated basis, has been drawn up in compliance with the international accounting standards effective on the reporting date, 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 no. 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 this Interim Report, 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 Interim Report on Operations 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 Interim Report on Operations is presented in euros and all amounts are rounded off to the nearest thousand euros unless otherwise indicated.
The figures in this Interim Report on Operations are comparable with those of the previous period.

Use of estimates and assumptions

In application of IFRS, preparation of the Interim Report on Operations requires management to make estimates and assumptions that affect the reported amounts of revenue (including the GRC estimate), costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. Furthermore, in making the estimates, the main sources of uncertainties that could have an impact on the valuation processes are considered.
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 take into consideration assumptions based on market and regulatory parameters and information available on the date of the financial statements. 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.

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 OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

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

Associates

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

Consolidation procedures

General procedure

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

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.
The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 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 IFRS5 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 (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS5.

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 Interim Report on Operations includes 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.

Changes in the scope of consolidation

With regard to the scope of consolidation, as at 30 September 2020 it should be noted that:

- The line-by-line consolidation of Pescara Distribuzione Gas, which the Parent Company acquired a 51% stake in on 18 March 2019;
- The establishment of Acea Innovation on 25 June 2019;
- The establishment of Acea Solar and Acea Sun Capital on 30 April 2019 (both subsidiaries of Acea Produzione). Acea Sun Capital has the function of accommodating acquisitions of photovoltaic systems. The first acquisition took place on 27 June 2019 through the acquisition of 100% of KT4. During H2 2019 and again during 2020, the following companies were acquired: Acquaviva, Compagnia Solare 2, Compagnia Solare 3, SPES, Solaria Real Estate, Brindisi Solar (all then incorporated into Solaria Real Estate in 2020), Sisine Energia, Luna Energia, Marche Solar, Urbe Solar, Urbe Cerig, Trinovolt, Bersolar, Euroline3, IFV Energy e PF Power of Future, Energia and finally Belaria;
- The full consolidation of the companies acquired by Acea Ambiente: 90% Demap, a company operating in Piedmont in the field of plastics recycling, acquired on 4 July 2019; 60% Berg, a company performing waste management in the Municipality of Frosinone, acquired on 18 October 2019; 60% of the companies Ferrocart, Cavallari and Multigreen 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 100% consolidation of the company Electric Drive Italia, acquired by Acea Innovation on 19 May 2020 to promote the development of electric mobility through advanced IT solutions;
- The full consolidation of 51% of Alto Sangro Distribuzione Gas, a company operating in the gas distribution sector, and its subsidiary Notaresco.

Unconsolidated investments

Tirana Acque Scarl 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.

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 Srl	Via G. Bruno 7- Terni	2,224,992	100.00%	100.00%	Line by line
Aquaser Srl	P.le Ostiense 2 - Rome	3,900,000	93.06%	100.00%	Line by line
Bioecologia Srl	Via G. Bruno 7- Terni	2,382,428	100.00%	100.00%	Line by line
Iseco SpA	Loc. Surpian 10 - 11020 Saint-Marcel (AO)	110,000	80.00%	100.00%	Line by line
Berg	Via delle Industrie 38 - Frosinone (FR)	844,000	60.00%	100.00%	Line by line
Demap Srl	Via Giotto 13 - Beinasco (TO)	119,015	90.00%	100.00%	Line by line
Acque Industriali Srl	Via Bellatalla 1 - Ospedaletto (Pisa)	100,000	73.05%	100.00%	Line by line
Ferrocart Srl	Via Vanzetti 34 - Terni	80,000	60.00%	100.00%	Line by line
Cavallari Srl	Via dell'Industria 6 - Ostra (AN)	100,000	60.00%	100.00%	Line by line
Multigreen Srl	Loc. Cà Maiano 78 - Fabriano (AN)	100,000	60.00%	100.00%	Line by line
Commercial and Trading Segment					
Acea Energia SpA	Piazzale Ostiense 2 - Rome	10,000,000	100.00%	100.00%	Line by line
Acea8cento Srl	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	Line by line
Cesap Vendita Gas Srl	Via del Teatro 9 - Bastia Umbra (PG)	10,000	100.00%	100.00%	Line by line
Umbria Energy SpA	Via B. Capponi 100 - Terni	1,000,000	50.00%	100.00%	Line by line
Acea Energy Management Srl	Piazzale Ostiense 2 - Rome	50,000	100.00%	100.00%	Line by line
Electric Drive Italia Srl	Via Mario Bianchini 51 - 00142 Rome	10,000	100.00%	100.00%	Line by line
Acea Innovation	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	Line by line
Parco della Mistica Srl	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	Line by line
Overseas					
Acea Dominicana SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	644,937	100.00%	100.00%	Line by line
Aguas de San Pedro SA	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6,457,345	60.65%	100.00%	Line by line
Acea International SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501 Santo Domingo	9,089,661	99.99%	100.00%	Line by line
Acea Perù SAC	Cal. Amador Merino Reyna 307 MIRAFLORES - LIMA	177,582	100.00%	100.00%	Line by line
Consorcio Acea-Acea Dominicana	Av. Las Americas - Esq. Masoneria - Ens. Ozama	67,253	100.00%	100.00%	Line by line
Consorcio Servicios Sur	Calle Amador Merino Reyna - San Isidro	-233,566	51.00%	100.00%	Line by line
Consorcio Agua Azul SA	Calle Amador Merino Reina 307 - Lima - Peru	17,435,370	44.00%	100.00%	Line by line
Water Segment					
Acea Ato 2 SpA	Piazzale Ostiense 2 - Rome	362,834,320	96.46%	100.00%	Line by line
Acea Ato 5 SpA	Viale Roma snc - Frosinone	10,330,000	98.45%	100.00%	Line by line
Acque Blu Arno Basso SpA	Piazzale Ostiense 2 - Rome	8,000,000	76.67%	100.00%	Line by line
Acque Blu Fiorentine SpA	Piazzale Ostiense 2 - Rome	15,153,400	75.01%	100.00%	Line by line
Acea Molise Srl	Piazzale Ostiense 2 - Rome	100,000	100.00%	100.00%	Line by line
CREA SpA *(in liquidation)*	Piazzale Ostiense 2 - Rome	2,678,958	100.00%	100.00%	Line by line
AdF SpA	Via Mameli 10 Grosseto	1,730,520	40.00%	100.00%	Line by line
Gesesa SpA	Corso Garibaldi 8 – Benevento	534,991	57.93%	100.00%	Line by line
Gori SpA	Via Trentola 211 – Ercolano (NA)	44,999,971	37.05%	100.00%	Line by line
Ombrone SpA	Piazzale Ostiense 2 - Rome	6,500,000	99.51%	100.00%	Line by line
Pescara Distribuzione Gas Srl	Via G. Carducci 83 Pescara	120,000	51.00%	100.00%	Line by line
Sarnese Vesuviano Srl	Piazzale Ostiense 2 - Rome	100,000	99.16%	100.00%	Line by line
Umbriadue Servizi Idrici Scarl	Strada Sabbione zona ind. A72 - Terni	100,000	99.20%	100.00%	Line by line
Alto Sangro Distribuzione Gas	Via L. Galvani 17/A - 47122 Forlì	463,644	51.00%	100.00%	Line by line
Notaresco Gas	Via Padre Frasca, Chieti Scalo Centro Dama	100,000	28.05%	100.00%	Line by line
Energy Infrastructure Segment					
areti SpA	Piazzale Ostiense 2 - Rome	345,000,000	100.00%	100.00%	Line by line
Acea Produzione SpA	Piazzale Ostiense 2 - Rome	5,000,000	100.00%	100.00%	Line by line
Acea Liquidation and Litigation Srl	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	Line by line
Ecogena Srl	Piazzale Ostiense 2 - Rome	1,669,457	100.00%	100.00%	Line by line
KT 4 Srl	Viale SS Pietro e paolo 50 - Rome	110,000	100.00%	100.00%	Line by line
Brindisi Solar Srl	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	Line by line
Solaria Real Estate Srl	Via Paolo da Cannobio 33 - Milan	176,085	65.00%	100.00%	Line by line
Compagnia Solare 2	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	Line by line
Compagnia Solare 3	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	Line by line
SPES Srl	Via Paolo da Cannobio 33 - Milan	457,426	65.00%	100.00%	Line by line
Acquaviva Srl	Via Paolo da Cannobio 33 - Milan	10,000	65.00%	100.00%	Line by line
Luna Energia Srl	Strada degli Alberi 7 - Galliera Veneta (PD)	10,000	100.00%	100.00%	Line by line
Sisine Energia Srl	Strada degli Alberi 7 - Galliera Veneta (PD)	10,000	100.00%	100.00%	Line by line
Acea Solar Srl	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	Line by line
Acea Sun Capital Srl	Piazzale Ostiense 2 - Rome	10,000	100.00%	100.00%	Line by line
Trinovolt	Viale Tommaso Columbo 31/D - Bari (BA)	10,000	100.00%	100.00%	Line by line
Marche Solar Srl	Via Achille Grandi 39 - Concordia sulla Secchia (MO)	10,000	100.00%	100.00%	Line by line
Urbe Cerig Srl	Via Cardinale Agostino Ciasca 9 - Bari	10,000	100.00%	100.00%	Line by line
Urbe Solar Srl	Via Cardinale Agostino Ciasca 9 - Bari	10,000	100.00%	100.00%	Line by line
Bersolar Srl	Piazzale Ostiense 2 - 00154 Rome	100,000	100.00%	100.00%	Line by line
Fergas Solar Srl	Via Pietro Piffetti 19 - 10143 Turin	10,000	100.00%	100.00%	Line by line
Euroline 3 Srl	Piazzale Ostiense 2 - 00154 Rome	10,000	100.00%	100.00%	Line by line
IFV Energy	Piazzale Ostiense 2 - 00154 Rome	10,000	100.00%	100.00%	Line by line
PF Power of Future	Piazzale Ostiense 2 - 00154 Rome	10,000	100.00%	100.00%	Line by line
Engineering and Services Segment					
ACEA Elabori SpA	Via Vitorchiano - Rome	2,444,000	100.00%	100.00%	Line by line
SIMAM SpA	Via Cimabue 11/2 - 60019 Senigallia (AN)	600,000	100.00%	100.00%	Line by line
Technologies For Water Services SpA	Via Ticino 9 - 25015 Desenzano Del Garda (BS)	11,164,000	100.00%	100.00%	Line by line

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11;

Company name	Registered Office	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation	Value 30.09.2020
Environment Segment						
Ecomed Srl	Piazzale Ostiense 2 - Rome	10,000	50.00%	50.00%	Shareholders' Equity	0
Water Segment						
Acque SpA	Via Garigliano 1- Empoli	9,953,116	45.00%	45.00%	Shareholders' Equity	86,834,671
Acque Servizi Srl	Via Bellatalla 1 - Ospedaletto (Pisa)	400,000	100.00%	45.00%	Shareholders' Equity	4,736,932
Geal SpA	Viale Luporini 1348 - Lucca	1,450,000	48.00%	48.00%	Shareholders' Equity	7,554,020
Intesa Aretina Scarl	Via B.Crespi 57 - Milan	18,112,000	35.00%	35.00%	Shareholders' Equity	499,055
Nuove Acque SpA	Patrignone Loc. Cuculo - Arezzo	34,450,389	46.16%	16.16%	Shareholders' Equity	12,516,653
Publiacqua SpA	Via Villamagna - Florence	150,280,057	40.00%	40.00%	Shareholders' Equity	108,909,706
Servizi idrici Integrati ScPA	Via I Maggio 65 - Terni	19,536,000	25.00%	25.00%	Shareholders' Equity	8,457,142
Umbra Acque SpA	Via G. Benucci 162 - Ponte San Giovanni (PG)	15,549,889	40.00%	40.00%	Shareholders' Equity	18,437,075
Engineering and Services Segment						
Ingegnerie Toscane Srl	Via Francesco de Sanctis 49 - Florence	100,000	98.90%	44.10%	Shareholders' Equity	12,444,874
Visano Scarl	Via Lamarmora 230 -25124 Brescia	25,000	40.00%	40.00%	Shareholders' Equity	10,329
Energy Infrastructure Segment						
Belaria	Via Luciano Manara 15 - Milan	10,000	49.00%	49.00%	Shareholders' Equity	
Mithra 1 srl	Via Pontaccio 10 - Milano	60,000	100.00%	49.00%	Shareholders' Equity	
Energia SpA	Via Barberini 28 - 00187 Rome	239,520	49.90%	49.90%	Shareholders' Equity	24,891,025

The following companies are also consolidated using the equity method:

Company name	Registered Office	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation	Value 30.09.2020
Environment Segment						
Amea SpA	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.00%	33.00%	Shareholders' Equity	0
Coema	Piazzale Ostiense 2 - Rome	10,000	67.00%	33.50%	Shareholders' Equity	0
Overseas						
Aguaazul Bogotà SA	Calle 82 no. 19°-34 - Bogota - Colombia	879,049	51.00%	51.00%	Shareholders' Equity	1,256,449
Water Segment						
Le Soluzioni Scarl	Via Garigliano 1 - Empoli	250,678	80.84%	51.63%	Shareholders' Equity	502,365
Sogea SpA	Via Mercatanti 8 - Rieti	260,000	49.00%	49.00%	Shareholders' Equity	587,836
Umbria Distribuzione Gas SpA	Via Bruno Capponi 100 – Terni	2,120,000	15.00%	15.00%	Shareholders' Equity	511,367
Energy Infrastructure Segment						
Citelum Napoli Pubblica Illuminazione Scarl	Via Monteverdi Claudio 11 - Milan	90,000	32.18%	32.18%	Shareholders' Equity	0
Sienergia SpA *(in liquidation)*	Via Fratelli Cairoli 24 - Perugia	132,000	42.08%	42.08%	Shareholders' Equity	0
Other						
Marco Polo Srl *(in liquidation)*	Via delle Cave Ardeatine 40 - Rome	10,000	33.00%	33.00%	Shareholders' Equity	0

Accounting standards and measurement criteria

Measurement criteria

The accounting standards and the recognition and measurement criteria used in the presentation of the Interim Report on Operations as at 30 September 2020 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, without prejudice to that specified hereafter.

Accounting standards, amendments, interpretations and improvements applied as at 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.

"Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform"
Issued on 27 August 2020, it introduces a reform of the indices of reference for the determination of interest rates in order to take into account the consequences of the reform on financial reporting (EU Regulation 2020/34 and recommendations contained in the Council's July 2014 financial stability report "*Reforming Major Interest Rate Benchmarks*") so that companies can continue to comply with the provisions assuming that the indices of reference for the determination of existing interest rates are not modified as a result of the reform of interbank rates. At the latest, companies should apply the changes from the start of the first financial year that begins 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 D1 6 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 IFRS16 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 and assessing whether their adoption will have a significant impact on the financial statements.

Consolidated Income Statement

€ thousand	30/09/2020	*Of which related party transactions*	30/09/2019	*Of which related party transactions*	Change
Revenue from sales and services	2,389,392		2,246,287		143,106
Other revenue and proceeds	82,240		99,926		(17,686)
Consolidated net revenues	**2,471,632**	**81,123**	**2,346,212**	**88,283**	**125,420**
Personnel costs	207,033		187,434		19,599
Costs of materials and overheads	1,427,616		1,418,372		9,244
Consolidated Operating Costs	**1,634,649**	**42,014**	**1,605,806**	**45,503**	**28,843**
Net income/(costs) from commodity risk management	**248**		**349**		**(101)**
Income/(Costs) from equity investments of a non-financial nature	**21,450**		**28,688**		**(7,238)**
EBITDA	**858,682**	**39,109**	**769,444**	**42,781**	**89,238**
Net write-downs (write-backs) of trade receivables	58,132		51,799		6,333
Depreciation, amortisation and provisions	374,556		315,144		59,411
Operating profit/(loss)	**425,994**	**39,109**	**402,500**	**42,781**	**23,494**
Financial income	4,369	17,224	11,452	17,742	(7,083)
Financial costs	(72,348)	(105)	(76,950)	(211)	4,601
Income/(Costs) from equity investments	3,268		3,565		(298)
Profit/(loss) before tax	**361,283**	**56,228**	**340,568**	**60,312**	**20,715**
Income taxes	110,191		102,272		7,919
Net result	**251,092**	**56,228**	**238,295**	**60,312**	**12,796**
Net profit/(loss) from discontinued operations					
Net result	**251,092**	**56,228**	**238,295**	**60,312**	**12,796**
Profit/(loss) attributable to minority interests	32,370		19,399		12,971
Net profit/(loss) attributable to the Group	**218,721**		**218,896**		**(175)**

Quarterly Consolidated Income Statement

€ thousand	Q3 2020	Q3 2019	Change	% Change
Revenue from sales and services	823,908	746,368	77,541	10.4%
Other revenue and proceeds	25,755	46,732	(20,977)	(44.9%)
Consolidated net revenues	**849,663**	**793,100**	**56,563**	**7.1%**
Personnel costs	66,704	63,140	3,565	5.6%
Costs of materials and overheads	498,255	472,616	25,639	5.4%
Consolidated Operating Costs	**564,959**	**535,755**	**29,204**	**5.5%**
Net income/(costs) from commodity risk management	**84**	**252**	**(169)**	**(66.8%)**
Income/(Costs) from equity investments of a non-financial nature	**5,222**	**9,253**	**(4,031)**	**(43.6%)**
EBITDA	**290,010**	**266,850**	**23,160**	**8.7%**
Net write-backs (write-downs) of trade receivables	14,326	15,752	(1,427)	(9.1%)
Amortisation, depreciation, provisions and impairment charges	127,136	108,820	18,316	16.8%
Operating profit/(loss)	**148,548**	**142,277**	**6,270**	**4.4%**
Financial income	(1,989)	4,440	(6,430)	(144.8%)
Financial costs	(22,943)	(27,193)	4,250	(15.6%)
Income/(Costs) from equity investments	690	0	690	insig.
Profit/(loss) before tax	**124,305**	**119,524**	**4,780**	**4.0%**
Income taxes	37,867	35,893	1,974	5.5%
Net result	**86,438**	**83,631**	**2,807**	**3.4%**
Net profit/(loss) from discontinued operations				
Net result	**86,438**	**83,631**	**2,807**	**3.4%**
Profit/(loss) attributable to minority interests	11,468	7,700	3,768	48.9%
Net profit/(loss) attributable to the Group	**74,970**	**75,931**	**(962)**	**(1.3%)**

Comprehensive Consolidated Income Statement

€ thousand	30/09/2020	30/09/2019	Change
Net income for the period	**251,092**	**238,295**	**12,796**
Profit/Loss from conversion of financial statements expressed in foreign currency	**(3,654)**	**1,652**	**(5,306)**
Reserve for exchange differences	2,497	(10,835)	13,332
Tax reserve for exchange differences	(599)	2,600	(3,200)
Gains/losses from exchange rate difference	**1,898**	**(8,234)**	**10,132**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	544	4,824	(4,280)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(380)	(943)	563
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	**164**	**3,881**	**(3,717)**
Actuarial gains/(losses) on employee benefits recognised in equity	(2,265)	(5,490)	3,225
Tax effect on the other actuarial profit/(loss) on staff benefit plans	649	1,594	(945)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(1,616)**	**(3,896)**	**2,280**
Total components of other comprehensive income, net of tax effect	**(3,208)**	**(6,598)**	**3,390**
Total comprehensive income/loss	**247,884**	**231,698**	**16,186**
Total comprehensive income (loss) attributable to:			
Group	216,622	212,174	4,449
Minority interests	31,262	19,524	11,738

Quarterly Comprehensive Consolidated Income Statement

€ thousand	2,020	2,019	Change
Net income for the period	**86,437**	**83,631**	**2,806**
Profit/Loss from conversion of financial statements expressed in foreign currency	**(2,380)**	**1,595**	**(3,974)**
Reserve for exchange differences	(1,439)	(6,727)	5,288
Tax reserve for exchange differences	345	1,614	(1,269)
Gains/losses from exchange rate difference	**(1,094)**	**(5,112)**	**4,019**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(785)	6,456	(7,241)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	2	(1,622)	1,624
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	**(783)**	**4,834**	**(5,617)**
Actuarial gains/(losses) on employee benefits recognised in equity	(127)	(1,278)	1,151
Tax effect on the other actuarial profit/(loss) on staff benefit plans	28	367	(340)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(99)**	**(910)**	**812**
Total components of other comprehensive income, net of tax effect	**(4,356)**	**405**	**(4,761)**
Total comprehensive income/loss	**82,081**	**84,037**	**(1,955)**
Total comprehensive income (loss) attributable to:			**0**
Group	71,002	76,533	(5,532)
Minority interests	11,080	7,503	3,577

Consolidated Statement of Financial Position

ASSETS	30/09/2020	*of which with related parties*	31/12/2019	*of which with related parties*	Change
Tangible Fixed Assets	2,741,688		2,609,485		132,204
Real Estate Investments	2,387		2,431		(44)
Goodwill	217,794		182,902		34,891
Concessions	2,651,207		2,484,483		166,724
Intangible Fixed Assets	265,912		222,358		43,554
Right of use	67,042		63,397		3,645
Equity investments in unconsolidated subsidiaries and associates	288,131		268,039		20,092
Other equity investments	3,208		2,772		436
Deferred tax assets	235,301		237,693		(2,393)
Financial assets	45,859	*27,683*	47,202	26,144	(1,344)
Other assets	347,951		380,666		(32,715)
NON-CURRENT ASSETS	**6,866,479**	***27,683***	**6,501,429**	***26,144***	**365,050**
Inventories	80,383		57,335		23,048
Trade Receivables	1,250,797	119,264	1,035,462	99,798	215,335
Other current assets	278,601		212,956		65,644
Current tax assets	48,609		12,328		36,280
Current Financial Assets	398,517	*134,893*	299,212	*121,968*	99,305
Cash and cash equivalents	523,430		835,693		(312,263)
CURRENT ASSETS	**2,580,336**	***254,157***	**2,452,987**	***221,766***	**127,349**
TOTAL ASSETS	**9,446,815**	**281,840**	**8,954,416**	**247,910**	**492,399**

Amounts in € thousand

LIABILITIES	30/09/2020	*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	(168,980)		(209,562)		40,582
Retained earnings/(losses)	628,354		562,413		65,941
Profit (loss) for the year	218,721		283,686		(64,965)
Total Group shareholders' equity	**1,906,754**		**1,854,772**		**51,983**
Minority interests	313,711		251,938		61,773
Total shareholders' equity	**2,220,466**		**2,106,710**		**113,756**
Employee severance indemnity and other defined-benefit plans	105,175		104,613		562
Provision for risks and charges	240,027		151,418		88,609
Borrowings and financial liabilities	4,147,064		3,551,889		595,175
Other liabilities	392,893		391,100		1,793
NON-CURRENT LIABILITIES	**4,885,160**		**4,199,020**		**686,139**
Financial Payables	340,420	*132,740*	674,364	*79,616*	(333,944)
Payables to suppliers	1,598,964	*112,985*	1,600,263	*111,319*	(1,299)
Tax Payables	21,188		11,977		9,211
Other current liabilities	380,618		362,082		18,536
CURRENT LIABILITIES	**2,341,190**	**245,725**	**2,648,685**	**190,935**	**(307,496)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,446,815**	**245,725**	**8,954,416**	**190,935**	**492,399**

Amounts in € thousand

Consolidated Cash Flow statement

€ thousand	30.09.2020	Related parties	30.09.2019	Related parties	Change
Cash flow from operating activities					
Profit before tax	**361,283**		**340,568**		**20,715**
Depreciation/amortisation	364,767		306,726		58,041
Write-ups/write-downs	33,414		19,546		13,868
Change in provisions for risks	(4,795)		(17,012)		12,217
Net change in the provision for employee benefits	(4,725)		(7,139)		2,414
Net financial interest	67,979		65,498		2,481
Income taxes paid	(45,380)		(58,081)		12,701
Financial flows generated by operating activities before changes	**772,543**	**0**	**650,104**	**0**	**122,438**
Increase/Decrease in receivables included in current assets	(258,430)	10,329	(192,124)	31,111	(66,306)
Increase/Decrease in payables included in the working capital	12,857	(12,710)	(6,779)	(7,928)	19,637
Increase/Decrease in inventories	(16,794)		(2,051)		(14,742)
Change in working capital	**(262,367)**	**(2,380)**	**(200,955)**	**23,183**	**(61,412)**
Change in other assets/liabilities during the period	(39,718)		48,112		(87,829)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**470,458**	**(2,380)**	**497,261**	**23,183**	**(26,803)**
			0		
Cash flow from investment activities					
Purchase/sale of tangible fixed assets	(526,186)		(415,364)		(110,822)
Purchase/sale of intangible fixed assets	(98,715)		(113,613)		14,897
Equity investments	(96,183)		(37,691)		(58,492)
Collections/payments deriving from other financial investments	(94,306)	(1,188)	(46,084)	23,670	(48,222)
Collected dividends	960	960	13,886	10,950	(12,926)
Interest income collected	7,850		14,279		(6,429)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(806,580)**	**(228)**	**(584,588)**	**34,621**	**(221,993)**
Cash flow from financing activities					
Repayment of mortgages and long-term loans	(455,045)		(281,680)		(173,365)
Provision of mortgages/other debts and medium to long term	599,910		500,000		99,910
Decrease/Increase in other financial debts	16,410	(15,207)	(46,993)	79,167	63,403
Interest expense paid	(75,185)		(78,917)		3,732
Dividends paid	(81,848)	(81,848)	(73,795)	(73,795)	(8,053)
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**4,242**	**(97,056)**	**18,616**	**5,372**	**(14,374)**
Cash flow for the period	**(331,880)**	**(97,284)**	**(68,711)**	**63,175**	**(263,169)**
Net opening balance of cash and cash equivalents	835,693		1,068,138		(232,445)
Cash availability from acquisition	19,617		0		19,617
Net closing balance of cash and cash equivalents	**523,430**		**999,427**		**(475,997)**

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	218,896	**218,896**	19,399	**238,295**
Other comprehensive income (losses)	0	0	0	(6,722)	**(6,722)**	125	**(6,598)**
Total comprehensive income (loss)	0	0	0	212,174	**212,174**	19,524	**231,698**
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)**	(6,546)	**(157,455)**
Change in scope of consolidation	0	0	(5,289)	0	**(5,289)**	7,299	**2,010**
Other Changes	0	0	(3,557)	0	**(3,557)**	(397)	**(3,954)**
Balance as at 30 September 2019	**1,098,899**	**119,336**	**351,648**	**212,174**	**1,782,057**	**193,733**	**1,975,790**
Income statement profit	0	0	0	64,790	**64,790**	4,092	**68,882**
Other comprehensive income (losses)	0	0	0	(4,032)	**(4,032)**	219	**(3,813)**
Total comprehensive income (loss)	0	0	0	60,758	**60,758**	4,311	**65,068**
Allocation of result for 2018	0	0	0	0	**0**	0	**0**
Distribution of dividends	0	0	0	0	**0**	(1,444)	**(1,444)**
Change in scope of consolidation	0	0	9,025	0	**9,025**	55,437	**64,462**
Other Changes	0	0	2,932	0	**2,932**	(98)	**2,834**
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	218,721	**218,721**	32,370	**251,092**
Other comprehensive income (losses)	0	0	0	(2,099)	**(2,099)**	(1,109)	**(3,208)**
Total comprehensive income (loss)	**0**	**0**	**0**	**216,622**	**216,622**	**31,262**	**247,884**
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)**	(7,851)	**(173,638)**
Change in scope of consolidation	0	0	0	0	**0**	37,909	**37,909**
Other Changes	0	0	1,148	0	**1,148**	453	**1,601**
Balance as at 30 September 2020	**1,098,899**	**129,761**	**461,473**	**216,622**	**1,906,754**	**313,711**	**2,220,466**

Declaration by the Manager Appointed to Prepare the Company Accounting Documents in accordance with the provisions of Article 154-bis, paragraph 2 of Italian Legislative Decree no. 58/1998

The Financial Reporting Officer, Fabio Paris, declares in accordance with art. 154-bis, paragraph 2 of the Consolidated Finance Law, that the information contained in this Interim Report on Operations as at 30 September 2020 corresponds with the documents, books and accounting entries.